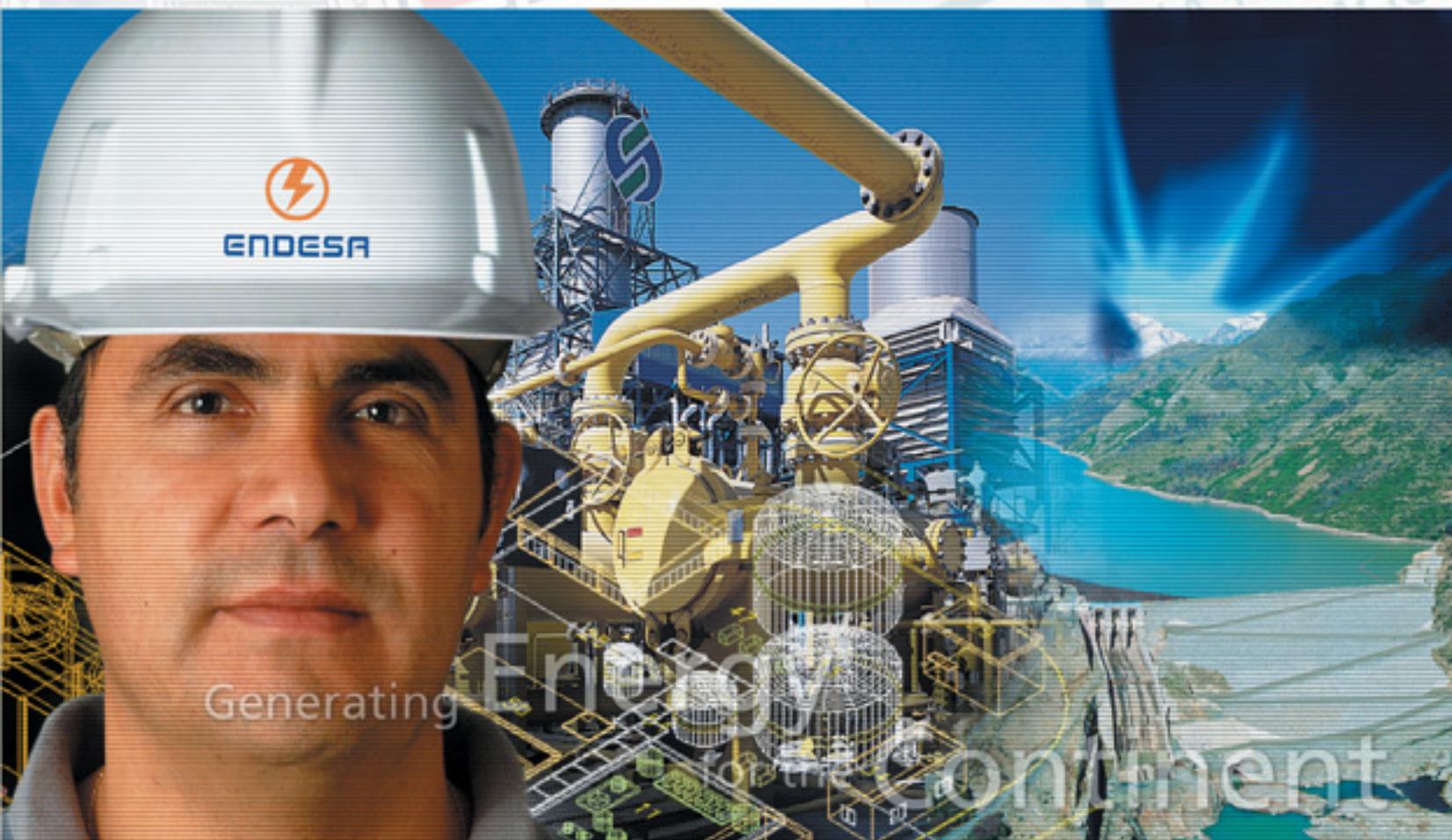


2001 ANNUAL REPORT



Generating Energy for the continent

ENDESA
Grupo Enersis

Conozca Endesa Chile
Noticias
Información Financiera
Accionista
Conexiones de interés

Bienvenidos

ENDESA CHILE,
GENERANDO
ENERGÍA PARA EL CONTINENTE

ENDESA
GRUPO ENERSIS

Utilidad tercer trimestre:
\$ 42.150 millones

English Version **Grupo ENERSIS**

Viernes, 4 de enero de 2002

Comunicados de Prensa
Endesa dona 500 libros "Mahuida" a escuelas rurales

Información Financiera
Ficha con resultados de la empresa a septiembre de 2001

Información Bursátil
Endesa \$ 228.00 (0,44%) Chilectra
Endesa US\$ 10,45 (-0,10%) CH
\$ 648,69

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 **COLOMBIA**

Betania 540 MW
(Southwest Colombia)
Engesa 2,485 MW
(Outskirts of Bogotá)

 **PERU**

Zolgel 997 MW

 **CHILE**

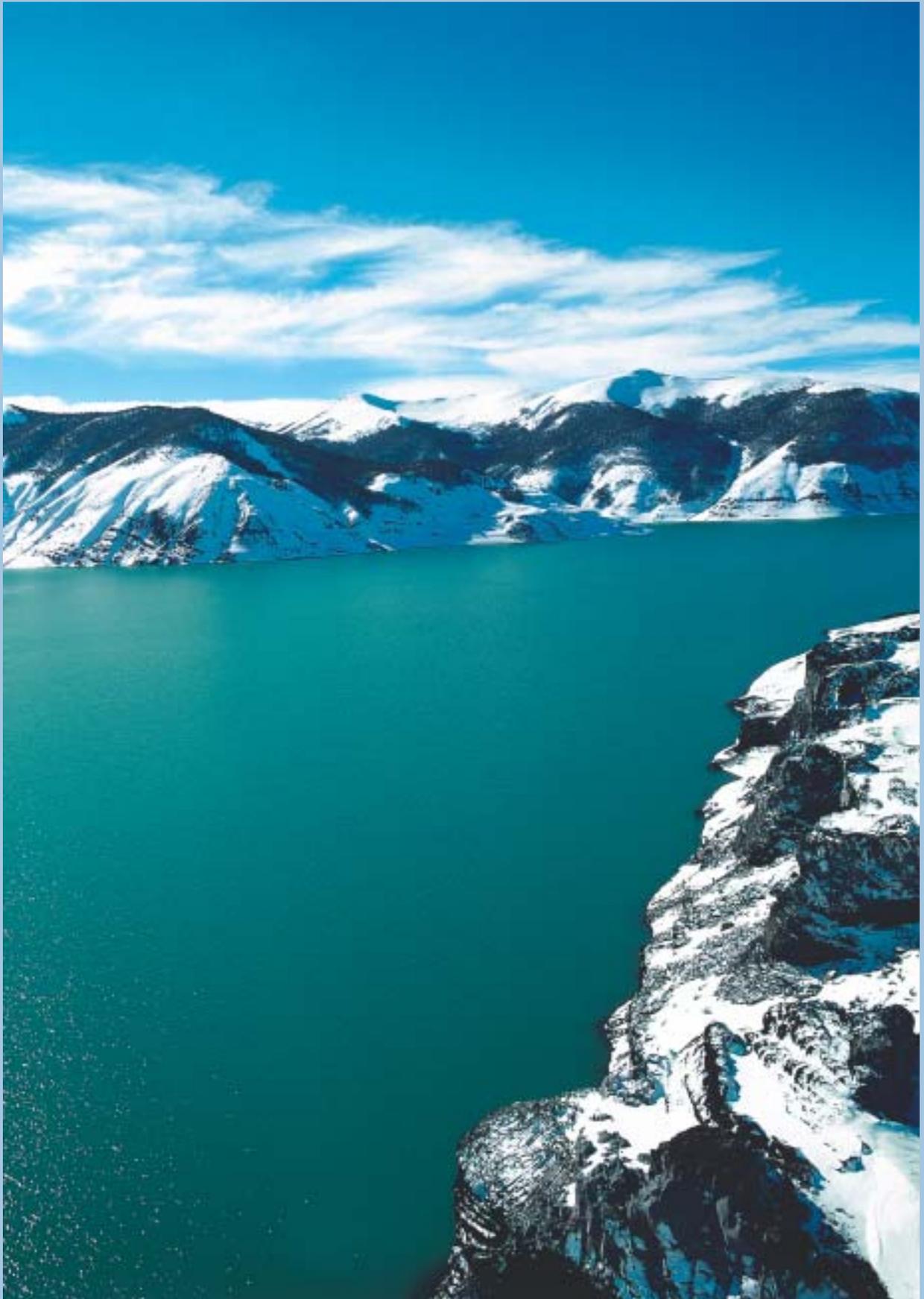
3,935 MW

 **ARGENTINA**

Costanera 2,302 MW
(Buenos Aires)
El Chocón 1,320 MW
(Neuquén)

 **BRAZIL**

Cachoeira Dourada 658 MW
(South of Brasília)



Laja Lake - Chile

Chairman's letter

To our Shareholders,

It is a great pleasure for me to present you with the Annual Report and Financial Statements of Endesa-Chile for the year 2001.

Despite the economic difficulties experienced by the countries in which we carry on our business, Endesa-Chile in 2001 continued to consolidate its position as

the leader in generation in Latin America thanks to the valuable efforts and commitment of our shareholders, executives and employees.

Our company produced a net income of ThCh\$ 70,058,270 for the year, lower than in the year before but reflecting an important improvement in operating performance.

Operating income in 2001 was ThCh\$ 337,839,964, 30.4 % more than in the year 2000, basically explained by a better performance in Chile, Peru and Colombia.

International results

Operating income in Argentina declined by 11.1% to ThCh\$ 41,787,300. This was mainly the result of the lower energy sales of Central Costanera and to weaker spot prices. This was partially offset by a 173.4 % increase in the operating income of Hidroeléctrica El Chocón.

I should here refer to the difficult situation faced by Argentina, especially regarding the "pesofication" and devaluation of the currency which will affect the results of the companies in which Endesa-Chile has holdings. However, the energy export contracts with Brazil provide some degree of protection in this context.

Under Chilean accounting principles, the impact of the devaluation at December 31, 2001 is already reflected in the financial statements.

In Brazil, the operating income of Cachoeira Dourada fell by 10.6 % to ThCh\$ 27,105,983. This was the result of reduced generation and greater purchases of energy following the rationing imposed in that country. However, under an agreement signed on December 19, 2001 between the authorities and players in the Brazilian electricity sector, the effects of the drought on the results of Cachoeira Dourada have been reduced to an estimated US\$ 5.4 million.



In Colombia, the operating income improved 14.0 % to ThCh\$ 72,211,580, mainly due to a 16.4 % rise in average sale prices and a 9.2 % increase in energy sales volumes. The price increase was largely the result of restrictions on transmission on the Colombian system during the early months of 2001.

In Peru, Edegel increased its operating income by 21.2 % to ThCh\$ 64,108,110 as a result of a 17.6 % increase in energy sales volumes.

In Chile, Endesa-Chile increased its operating income by 102.3 % to ThCh\$ 132,626,992, mainly as a result of a 34.9 % increase in average sales prices, and greater hydroelectric generation of 13.2 % which led to a reduction of ThCh\$ 11,404,541 in energy purchases.

The non-operating result, on the other hand, whose principal component is financial expenses, produced a loss of ThCh\$ 233,701,890 for 2001, compared to a loss of ThCh\$ 35,025,195 in 2000. This difference is basically explained by the gain of ThCh\$ 178,305,479 in the sale of shares in and the transmission lines of Transelec the previous year; ThCh\$ 18,558,533 of higher Other non-operating expenses largely explained by the effect on the Argentine companies of the devaluation there; ThCh\$ 10,316,170 less income on investments in related companies basically due to the effect of price-level restatement on the results of the associate companies CIEN and Gasatacama; and a ThCh\$ 9,571,545 greater loss for exchange differences. The above was partially offset by ThCh\$ 37,942,722 of lower financial expenses and

ThCh\$ 18,040,575 of profit on the repurchase of company bonds.

Investments

Endesa-Chile has continued with its investment program in 2001. In this context, the Ralco project achieved 52.7% progress in its construction by the end of the year.

It will be recalled that because of a sudden increase in the water flows of the River Biobío following heavy rains in late May 2001, the plant's provisional dam (cofferdam) suffered damages that meant a delay in the project's works timetable. In order to reduce this delay, the company prepared a new plan which will enable the start-up of the first generating unit in December 2003 and the second in the early months of 2004.

Regarding the construction of the second interconnection line between Argentina and Brazil by the CIEN consortium, in which the Company has a 45% holding, this is now 85 % progressed.

Sale of Infraestructura Dos Mil

With respect to the infrastructure business, the board of Endesa-Chile agreed to sell its 60% shareholding in Infraestructura Dos Mil S.A. to the Spanish construction company Obrascon Huarte Lain S.A. The sale price is UF 2,253,000, payable in US dollars at the time of signing the document. The sale commitment was signed in April 2001 and the sale

contracts will be signed once the pre-conditions are met. The time limit for signing the contract was originally December 31, 2001, but this has been extended to March 31, 2002.

Bond placement

The Company made a successful bond placement during 2001. Three series of Unidad de Fomento (UF) indexed bonds were placed in the domestic market on October 31, 2001 for UF 7,500,000 (US\$ 170 million approximately). The term of these bonds fluctuates between 5 and 21 years and the nominal annual interest rate is 6.2% on the Unidad de Fomento. Endesa Chile Internacional used these funds to partially repurchase, on very advantageous conditions, two bond issues of Endesa-Chile and its Cayman Island Agency (Yankee bonds) for a nominal value of US\$ 183.7 million which were placed at rates of 8.125 % and 7.875% per annum with maturities in 2097 and 2027 respectively. These transactions generated a profit of US\$ 27.6 million which is included in Non-operating income.

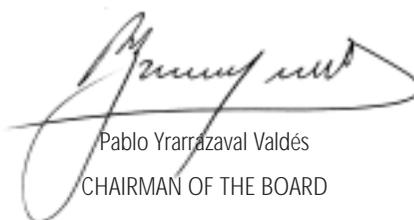
Tariffs

Finally, regarding the tariff setting of node prices for regulated customers on the Alto Jahuel node on the Chilean SIC that is in force from November 1, 2001, despite the 12.3% increase in peso terms over the tariff set in April 2001, this represented a 3% reduction in dollar terms. Although the authorities have taken important steps toward setting tariffs that would encourage investment for meeting the

system's future demand, the low November tariff again brought uncertainty to a business whose investments are practically all in dollar terms.

Endesa-Chile has therefore managed in 2001 to continue along the growth path in its activities and thus strengthen its leadership in the region, clearly a meritorious fact considering the difficult situations faced during the year and demonstrating the Company's capacity and potential.

The above achievements would not have been possible without its valuable human team. Thanks to the efforts of its executives and employees, and the support of yourselves, the shareholders, we have been able to position Endesa-Chile as a solid, modern company and a leader in generation in Latin America.



Pablo Yrarrázaval Valdés
CHAIRMAN OF THE BOARD

Administration



Pablo Yrarrázaval Valdés



Antonio Pareja Molina



Jaime Bauzá Bauzá



Jesús Burillo Andreu

Board of directors

CHAIRMAN

Pablo Yrarrázaval Valdés

President of the Santiago Stock Exchange

VICE CHAIRMAN

Antonio Pareja Molina

Commercial Engineer Universidad de Granada

DIRECTORS

Jaime Bauzá Bauzá

Civil Engineer Pontificia Universidad Católica de Chile

Jesús Burillo Andreu

Commercial Engineer Universidad de Barcelona

José María Hidalgo Martín-Mateos

Commercial Engineer Universidad Santiago de Compostela

Pedro Larrea Paguaga

Mining Engineer Universidad Politécnica de Madrid

Andrés Regué Godall

Industrial Engineer Escuela Técnica Superior de Ingenieros Industriales de Barcelona

Antonio Tuset Jorratt

Commercial Engineer Universidad de Chile

Leonidas Vial Echeverría

Vice-president of the Santiago Stock Exchange



José María Hidalgo Martín-Mateos



Pedro Larrea Paguaga



Andrés Regué Godall



Antonio Tuset Jorrat



Leonidas Vial Echeverría

The company is managed by a Board of Directors of nine members elected at the Shareholders Meeting. The Directors are in office for a three-year term and they can be re-elected.

The present Board of Directors was elected by the Ordinary Shareholders Meeting held on April 2, 2001.

Principal executive officers

CHIEF EXECUTIVE OFFICER

Héctor López Vilaseco

Attorney-at-Law and Economist ICADE, Madrid

EXTERNAL AFFAIRS MANAGER

Rodolfo Nieto Maturana

Journalist Universidad de Chile

GENERAL COUNSEL

Carlos Martín Vergara

Attorney-at-Law Universidad Católica de Valparaíso

ADMINISTRATION AND FINANCE

Mario Valcarce Durán

Commercial Engineer Universidad Católica de Valparaíso

HUMAN RESOURCES

Juan Carlos Mundaca Álvarez

Commercial Engineer Universidad de Santiago

PLANNING AND CONTROL

Rafael López Rueda

Commercial Engineer Universidad de Málaga

TRADING AND COMMERCIALIZATION

José Venegas Maluenda

Industrial Civil Engineer Pontificia Universidad Católica de Chile

ENERGY PLANNING

Rafael Errázuriz Ruiz-Tagle

Civil Engineer Universidad de Santiago

PRODUCTION AND TRANSPORT

Rafael Mateo Alcalá

Industrial Engineer Escuela Técnica Superior de Ingenieros Industriales de Zaragoza

GENERATION - CHILE

Claudio Iglesias Guillard

Electrical Civil Engineer Universidad de Chile

Management remuneration

Remuneration received by the company's management during the year 2001 amounts to Ch\$1,038,132,679

Includes the remuneration of those managers working as at December 31, 2001 and those who left the company during the year.

Incentive plans

Endesa-Chile has for its executives an annual bonus plan for meeting objectives and their individual contribution to the company's results. The plan includes a definition of the ranges of bonus according to the level of seniority. The bonuses paid to executives consist of a certain number of gross monthly salaries.

Organizational structure





Costanera Plant - Argentina

Administration of principal subsidiaries

GENERATION ARGENTINA

Miguel Ortiz Fuentes

Mecanic Engineer Escuela Naval de Chile

GENERATION BRAZIL

Juan Antonio Madrigal Royo

Mining Engineer Universidad Politécnica de Madrid

GENERATION COLOMBIA

Lucio Rubio Díaz

Commercial Engineer Universidad Santiago de

Compostela

GENERATION PERU

José María Hidalgo Martín-Mateos

Commercial Engineer Universidad Santiago de

Compostela

INGENDESA

Juan Benabarre Benaiges

Civil Engineer Universidad de Chile

INFRAESTRUCTURA DOS MIL S.A.

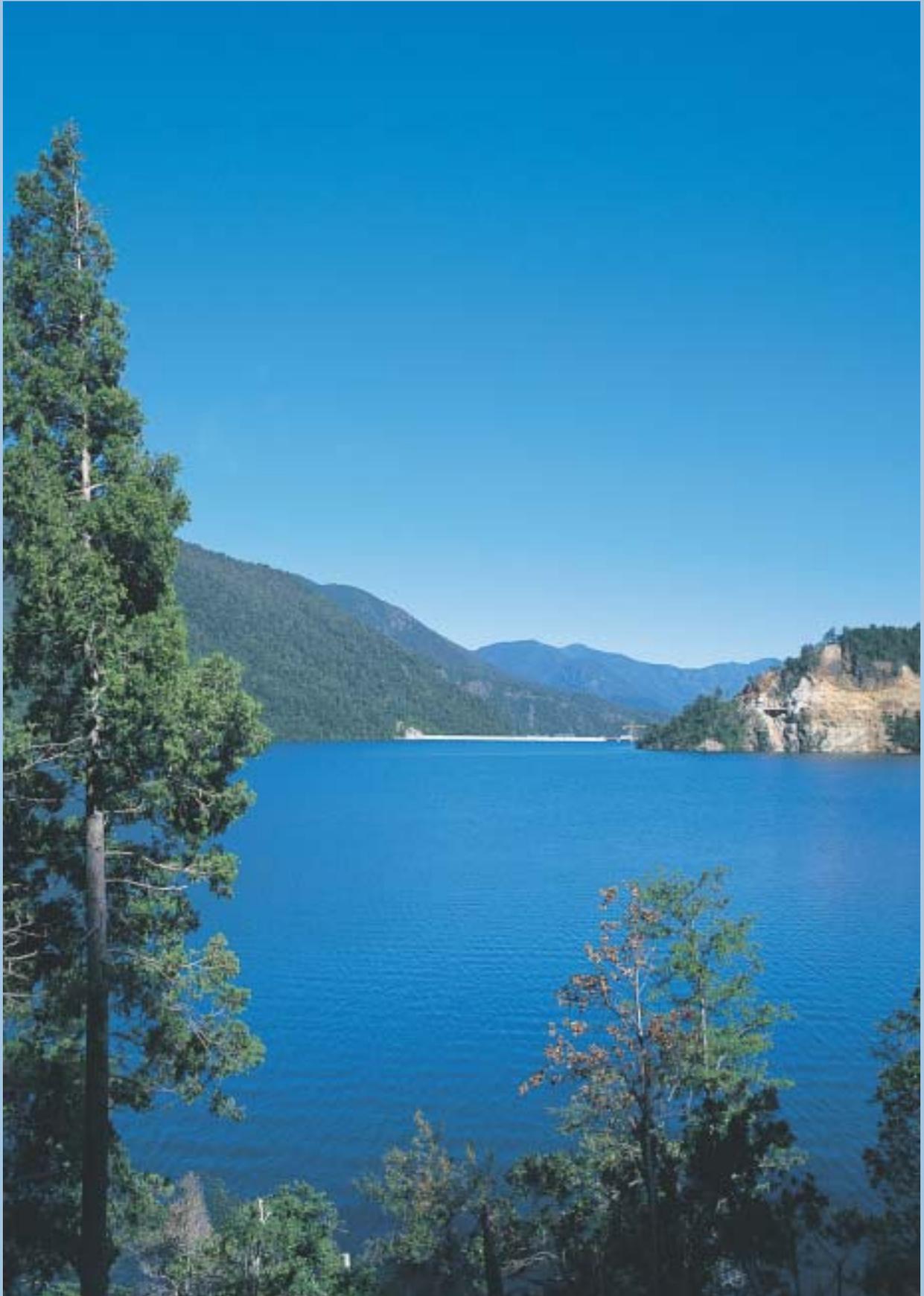
Roberto Aigner Ríos

Civil Engineer Universidad de Chile

Consolidated highlights

Years ended December 31,

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|-----------|-----------|-----------|-----------|-----------|
| IN ARGENTINA | | | | | |
| EMPLOYEES | 489 | 469 | 430 | 287 | 285 |
| INSTALLED CAPACITY (MW) | 2,771 | 3,622 | 3,622 | 3,622 | 3,622 |
| GENERATION (GWh) | 8,156 | 7,310 | 9,150 | 10,129 | 9,948 |
| SALES OF ELECTRICITY (GWh) | 14,862 | 14,084 | 14,643 | 15,549 | 12,988 |
| IN BRAZIL | | | | | |
| EMPLOYEES | 20 | 87 | 81 | 45 | 47 |
| INSTALLED CAPACITY (MW) | 658 | 658 | 658 | 658 | 658 |
| GENERATION (GWh) | 1,059 | 2,941 | 3,222 | 3,406 | 2,256 |
| SALES OF ELECTRICITY (GWh) | 1,301 | 3,894 | 3,754 | 3,887 | 3,743 |
| IN CHILE | | | | | |
| EMPLOYEES | 1,674 | 1,763 | 1,383 | 888 | 870 |
| INSTALLED CAPACITY (MW) | 3,002 | 3,765 | 4,130 | 4,035 | 3,935 |
| GENERATION (GWh) | 13,247 | 12,188 | 13,672 | 15,346 | 15,741 |
| SALES OF ELECTRICITY (GWh) | 15,419 | 14,161 | 15,949 | 20,086 | 18,673 |
| IN COLOMBIA | | | | | |
| EMPLOYEES | 514 | 584 | 454 | 377 | 386 |
| INSTALLED CAPACITY (MW) | 2,979 | 3,034 | 3,035 | 3,035 | 3,035 |
| GENERATION (GWh) | 3,289 | 11,489 | 10,898 | 9,618 | 10,106 |
| SALES OF ELECTRICITY (GWh) | 5,204 | 14,873 | 13,467 | 13,356 | 14,591 |
| IN PERU | | | | | |
| EMPLOYEES | 253 | 255 | 178 | 167 | 164 |
| INSTALLED CAPACITY (MW) | 806 | 806 | 806 | 997 | 997 |
| GENERATION (GWh) | 2,869 | 3,072 | 2,950 | 3,623 | 4,176 |
| SALES OF ELECTRICITY (GWh) | 3,167 | 3,279 | 2,999 | 3,604 | 4,239 |
| (Millions of constant Chilean pesos as of December 31, 2001) | | | | | |
| TOTAL ASSETS | 4,954,340 | 5,813,134 | 6,211,497 | 5,841,328 | 6,176,283 |
| TOTAL LIABILITIES | 2,450,331 | 3,006,730 | 3,681,421 | 3,236,248 | 3,381,012 |
| MINORITY INTEREST | 1,080,766 | 1,374,288 | 1,305,532 | 1,268,287 | 1,390,854 |
| SHAREHOLDERS' EQUITY | 1,423,242 | 1,432,117 | 1,224,544 | 1,336,793 | 1,404,417 |
| REVENUES FROM OPERATIONS | 740,442 | 898,693 | 929,436 | 910,340 | 1,014,834 |
| COST OF OPERATIONS | (469,816) | (534,338) | (700,794) | (618,734) | (643,309) |
| OPERATING INCOME | 240,157 | 322,397 | 180,524 | 259,154 | 337,840 |
| NON-OPERATING RESULTS | (77,454) | (191,065) | (340,415) | (35,025) | (233,702) |
| NET INCOME | 135,562 | 50,024 | (190,776) | 111,578 | 70,058 |
| SHARES OUTSTANDING (millions) | 8,202 | 8,202 | 8,202 | 8,202 | 8,202 |
| EARNINGS PER SHARE (constant Ch\$) | 16.53 | 6.10 | (23.26) | 13.60 | 8.54 |
| EARNINGS PER ADR (US\$) | 0.76 | 0.28 | (1.07) | 0.62 | 0.39 |
| PRICE PER SHARE (constant Ch\$) | 259.81 | 176.82 | 257.75 | 212.39 | 224.60 |
| PRICE PER ADR (US\$) | 17.69 | 10.87 | 14.25 | 10.88 | 10.38 |
| MARKET CAPITALIZATION (US\$ Million) | 3,254 | 2,215 | 3,229 | 2,660 | 2,813 |
| P/E | 15.72 | 28.99 | (11.08) | 15.61 | 26.29 |



Pangué Dam - Chile

Company's identification

Empresa Nacional de Electricidad S.A. (Endesa-Chile)

Head Office : Santa Rosa 76, Santiago, Chile
Mailing Address : Casilla 1392, Correo Central, Santiago
Zip Code : 6510207
Telephone : (562) 630 9000
Telex : VTR: 34 02 91 ENDESA CK
Fax : (56-2) 635 4720
(56-2) 635 3938
Web site : www.endesa.cl
Auditors : Deloitte & Touche

Stock Exchange Listings:

In Chile Endesa-Chile's shares are listed and traded on the Santiago Stock Exchange, the Electronic Stock Exchange and the Valparaiso Stock Exchange. Endesa-Chile's ADSs are listed and traded on the New York Stock Exchange (symbol EOC) since July 1994. In addition, since December 17, 2001, Endesa-Chile's shares are traded on the Madrid Stock Exchange for Latin American Companies – Latibex – (symbol XEOC).

Depository Bank:

Citibank
111 Wall Street 5th floor
New York , NY 10043
Telephone: (212) 657 8786
Mr. Ricardo Szlezinger

Investor Relations:

Endesa-Chile
Santa Rosa 76
Telephone: (562) 634 2329
Fax: (562) 635 4980
e-mail: jmontero@endesa.cl / gsuzazo@endesa.cl
Mr. Jaime Montero / Mr. Giovano Suazo

International Rating Agencies

Standard & Poor's (current Rating: BBB+)
Moody's (current Rating: Baa1)
Fitch (current Rating: A-)

Incorporation documents

Empresa Nacional de Electricidad S.A. was incorporated by a public deed dated December 1, 1943. Its existence was

authorized and its By-laws approved on January 3, 1944, which indicated that the purpose of the company was to exploit the production, transportation and distribution of electric power and, particularly, the Country's Electrification Plan approved by the Council of CORFO.

The company's by-laws have experienced several amendments, among which we can mention those of 1980, which eliminated from the company's purpose the execution of the Country's Electrification Plan, a responsibility that was undertaken by the Energy National Commission; the amendment of 1982, which adapted the By-laws to the new Law N° 18,046 on Stock Companies; the one of 1987 that adapted the By-laws to the standards of Law N° 3,500 of 1980, thus allowing the resources of the Pension Funds to be invested in the company's shares, and the amendment of 1988 which enlarged the company's purpose to include the rendering of consulting services.

Also, the amendment of 1992 must be mentioned, which further enlarged the company's purpose to expressly allow the company to make investments in financial assets, to develop projects and to carry out activities both in the energetic field and in others where the electric power is essential, and to participate in concessions of public works infrastructure in the civil or hydraulic fields, being entitled to act either directly or through subsidiaries or affiliates, both within the country and in foreign countries. In 1994 an amendment was made in order to include the fantasy name "Endesa-Chile" in the By-laws and to increase the company's capital in order to place part of such increase in the international markets through the ADRs mechanism, in any of their forms, and to adapt the By-laws to the new standards introduced by Law N° 19,301 to Law N° 3,500 of 1980, which allowed, among other things, to increase the maximum percentage of shares concentration to 26 %. In 1995 an amendment modified the arbitration system, in order to allow that the difficulties among shareholders or between them and the company or its managers are solved either through an arbitration or through the Ordinary Justice. In 1999 an amendment allowed to increase the maximum percentage of shares concentration to 65% of the company's capital with voting right. Finally, in 2000 an amendment allowed to reduce the Activo Contable Depurado (cleansed book assets) factor of the company from factor 1 to factor 0.6.



Historical review

Empresa Nacional de Electricidad S.A. (Endesa-Chile) was incorporated on December 1, 1943, as a stock company subsidiary of the Government entity Corporación de Fomento de la Producción (CORFO), with the purpose of implementing the Country's Electrification Plan, including the generation, transport and production and distribution of electric power.

During 42 years Endesa-Chile was owned by the Chilean Government, achieving a leading role within this field, and becoming one of the most important companies of the country and the basis for the country's electrical development. The investments were huge and important works of engineering, electrification and irrigation were carried out.

In the mid eighties, and as a consequence of the privatization policy started by the Chilean Government at that time, Endesa-Chile was instructed to get prepared for privatization. For this purpose, the distribution areas were separated and the company was adjusted to be able to

include the Pension Funds and individuals as shareholders of the company.

The privatization process started in 1987 through a series of public offerings and, given the size of the company in the internal market, the process was completed only in 1989. After the privatization process important changes occurred within the organization, which was restructured into a holding with subsidiaries in order to permanently control the company's different activities.

In May, 1992, the internationalization process of the company started with the acquisition, through associations, of Central Costanera S.A. and later, in August 1993, with the acquisition of Hidroeléctrica El Chocón S.A., both in Argentina. In October, 1995, Edegel S.A. was acquired in Peru. In December, 1996, Central Hidroeléctrica de Betania S.A. E.S.P. was acquired and later, in September 1997, in association with Endesa-Spain, Emgesa S.A. E.S.P. was acquired, both in Colombia. Finally, in September, 1997, Centrais Eléctricas Cachoeira Dourada S.A. was acquired in Brazil.

Endesa-Chile's holding in subsidiaries and associated companies

| SUBSIDIARY | % HOLDING | |
|--|-----------|--------|
| | 2000 | 2001 |
| IN ARGENTINA | | |
| CENTRAL COSTANERA S.A. | 51.67 | 51.93 |
| HIDROELÉCTRICA EL CHOCÓN S.A. | 47.45 | 47.45 |
| ENDESA ARGENTINA S.A. | 99.99 | 99.99 |
| HIDROINVEST S.A. | 69.93 | 69.93 |
| IN BRAZIL | | |
| CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A. | 91.80 | 92.42 |
| ENDESA BRASIL PARTICIPACOES LTDA. | 100.00 | 100.00 |
| INGENDESA DO BRASIL LTDA. | - | 97.66 |
| IN CHILE | | |
| EMPRESA ELÉCTRICA PEHUENCHE S.A. (PEHUENCHE S.A.) | 92.55 | 93.66 |
| EMPRESA ELÉCTRICA PANGUE S.A. (PANGUE S.A.) | 92.48 | 92.48 |
| COMPAÑÍA ELÉCTRICA TARAPACÁ S.A. (CELTA) | 100.00 | 100.00 |
| COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A. (SAN ISIDRO S.A.) | 75.00 | 75.00 |
| INVERSIONES ELÉCTRICAS QUILLOTA S.A. | 50.00 | 50.00 |
| EMPRESA DE INGENIERÍA INGENDESA S.A. (INGENDESA) | 96.40 | 97.64 |
| INFRAESTRUCTURA DOS MIL S.A. | 60.00 | 60.00 |
| SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A. | 99.95 | 99.95 |
| SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A. | 60.04 | 60.04 |
| INECSA DOS MIL S.A. | 58.39 | 58.39 |
| SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A. | 58.36 | 58.36 |
| ENDESA INVERSIONES GENERALES S.A. (ENIGESA) | 100.00 | 99.97 |
| INVERSIONES ENDESA NORTE S.A. | 100.00 | 100.00 |
| IN COLOMBIA | | |
| EMGESA S.A. E.S.P. (EMGESA) | 22.36 | 22.36 |
| CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P. | 85.62 | 85.62 |
| ENDESA DE COLOMBIA S.A. | 100.00 | 100.00 |
| CAPITAL ENERGÍA S.A. | 43.67 | 43.58 |
| IN PERU | | |
| EDEGEL S.A. (EDEGEL) | 37.90 | 37.90 |
| GENERANDES PERÚ S.A. | 54.26 | 59.63 |
| IN PANAMA, BAHAMAS AND CAYMAN ISLANDS | | |
| COMPAÑÍA ELÉCTRICA CONO SUR S.A. | 100.00 | 100.00 |
| LAJAS INVERSORA S.A. | 92.26 | 92.88 |
| ENDESA CHILE INTERNACIONAL | 100.00 | 100.00 |

| ASSOCIATED COMPANY | % HOLDING | |
|--|-----------|-------|
| | 2000 | 2001 |
| IN ARGENTINA | | |
| COMERCIALIZADORA DE ENERGÍA DEL MERCOSUR S.A. (CEMSA) | 45.00 | 45.00 |
| COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR S.A. (C.T.M.) | 45.00 | 45.00 |
| TRANSPORTADORA DE ENERGÍA S.A. (TESA) | - | 45.00 |
| IN BRAZIL | | |
| COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA S.A. (CIEN) | 45.00 | 45.00 |
| IN CHILE | | |
| ELECTROGAS S.A. | 42.50 | 42.50 |
| TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA. (TRANSQUILLOTA) | 37.50 | 37.50 |
| ADMINISTRADORA PROYECTO ATACAMA S.A. | 50.00 | 50.00 |
| GASODUCTO ATACAMA COMPAÑÍA LTDA. (GASATACAMA) | 50.00 | 50.00 |
| NOR OESTE PACÍFICO GENERACIÓN DE ENERGÍA LTDA. (NOPEL LTDA.) | 50.00 | 50.00 |
| GASODUCTO CUENCA NOROESTE LTDA. | 50.00 | 50.00 |
| INVERSIONES ELECTROGAS S.A. | 42.50 | 42.50 |
| GASODUCTO TALTAL LTDA. | 50.00 | 50.00 |
| CONSORCIO INGENDESA-MINMETAL LTDA. | - | 48.82 |
| IN CAYMAN ISLANDS | | |
| ENERGEX CO. | 50.00 | 50.00 |
| ATACAMA FINANCE CO. | 50.00 | 50.00 |

Human resources

Number of personnel

As of December 31, 2001, the personnel of Endesa-Chile and its subsidiaries was as follows::

| COMPANY | EXECUTIVE OFFICERS | PROFESSIONALS AND TECHNICIANS | OTHER EMPLOYEES | TOTAL |
|--|--------------------|-------------------------------|-----------------|--------------|
| IN ARGENTINA | | | | |
| CENTRAL COSTANERA S.A. | 4 | 215 | 16 | 235 |
| HIDROELÉCTRICA EL CHOCÓN S.A. | 1 | 45 | 4 | 50 |
| TOTAL PERSONNEL IN ARGENTINA | 5 | 260 | 20 | 285 |
| IN BRAZIL | | | | |
| CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A. | 1 | 42 | 4 | 47 |
| TOTAL PERSONNEL IN BRAZIL | 1 | 42 | 4 | 47 |
| IN CHILE | | | | |
| ENDESA-CHILE | 30 | 458 | 52 | 540 |
| PEHUENCHE S.A. | 0 | 3 | 0 | 3 |
| PANGUE S.A. | 0 | 2 | 0 | 2 |
| SAN ISIDRO S.A. | 0 | 2 | 0 | 2 |
| CELTA | 1 | 0 | 0 | 1 |
| INGENDESA | 3 | 143 | 3 | 149 |
| INFRAESTRUCTURA DOS MIL S.A. | 4 | 10 | 5 | 19 |
| TÚNEL EL MELÓN S.A. | 1 | 14 | 7 | 22 |
| SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A. | 0 | 32 | 55 | 87 |
| SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A. | 0 | 37 | 8 | 45 |
| TOTAL PERSONNEL IN CHILE | 39 | 701 | 130 | 870 |
| IN COLOMBIA | | | | |
| EMGE S.A. | 6 | 283 | 60 | 349 |
| CENTRAL HIDROELECTRICA DE BETANIA S.A. E.S.P. | 0 | 33 | 4 | 37 |
| TOTAL PERSONNEL IN COLOMBIA | 6 | 316 | 64 | 386 |
| IN PERU | | | | |
| EDEGEL S.A. | 5 | 142 | 17 | 164 |
| TOTAL PERSONNEL IN PERU | 5 | 142 | 17 | 164 |
| TOTAL PERSONNEL ENDESA-CHILE AND SUBSIDIARIES | 56 | 1,461 | 235 | 1,752 |

Human resources activities

TRAINING

A Training Plan was carried out during 2001 based on a Skills Model to give the organization a central point for carrying out and giving consistency to Human Resources' integral plan.

This plan was intended to produce a new working style for its employees through the use of new practices permitting the development of entrepreneurial abilities, making use of creativity and innovation and acquiring new skills in the technical professional area, linked to the needs of the electricity business of our Company.

Endesa-Chile and its subsidiaries provided 47.8 hours of training per employee in 2001. Likewise, 2.3% of worked hours were spent on training. This shows that priority was given during the year to mass training covering 75 % of all personnel.

The following training programs were given during 2001: Innovative performance capacity, Management and leadership, Redesigning processes, Performance management, Technical training and Accidental losses control.

RISKS PREVENTION

All on-site personnel were trained during 2001 in the preparation of a Local Risk Manual, which was designed to be used as a guide for planning tasks, especially in works whose complexity carries a high degree of risk. The main purpose of this manual is to be a management tool for efficiently eliminating or reducing working accidents, damage to the company's property and production interruptions.

Another important aspect was the adaptation of the Accidental Losses Control Program to the Company's new needs, including among its activities an efficient control of contractors.

WELFARE

New emergency service agreements were signed in 2001 with health centers to increase cover, especially with respect to emergencies occurring in the head office. Sports and recreational activities were continued for employees and their families. Health benefits for Enersis Group companies were integrated and company executives were added to these.

HUMAN RESOURCES DEVELOPMENT

The following activities were carried out in 2001 within the Human Resources Plan for the year:

Identification of skills in the different functional units in both the structure and generation areas in order to incorporate them in a human resources management model.

In order to stimulate personnel to generate innovative and creative ideas for implementing continuous improvements in procedures, management techniques and organizational growth and development proposals, an Innovation and Creativity Program was carried out in 2001 generating 127 innovation suggestions. The number of suggestions per total employees rose from 18.1 % to 23.5 % compared to the Suggestions Program in 2000.

LABOR RELATIONSHIPS

As in previous years, our labor relations have been completely harmonious, with direct and frequent dialogue with union representatives, one of the key parties in this relationship.

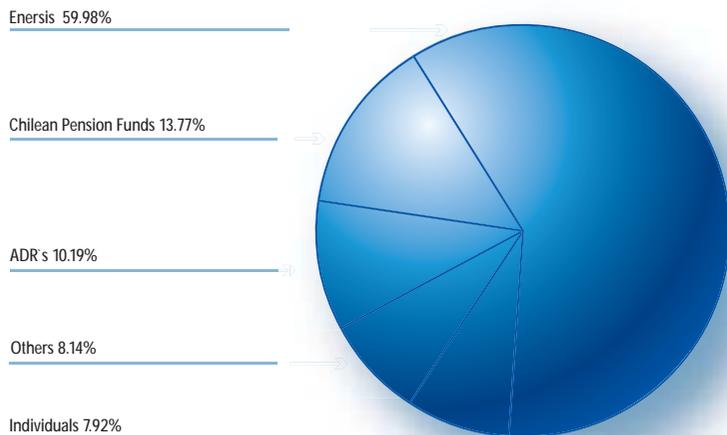
A collective agreement made with the negotiation commission came into effect in July 2001 covering one of the Company's sectors of electro-mechanics, and technical and administrative assistants. The agreement covers a period of three years. The other two collective agreements, one covering the other sector of the above personnel and which expires in June 2002, and the other covering the engineers and execution engineers sector and which expires in December 2003, continued in force.



Company's ownership

As of December 31, 2001, the share capital of the company consisted of 8,201,754,580 paid and subscribed shares, distributed among 31,165 shareholders.

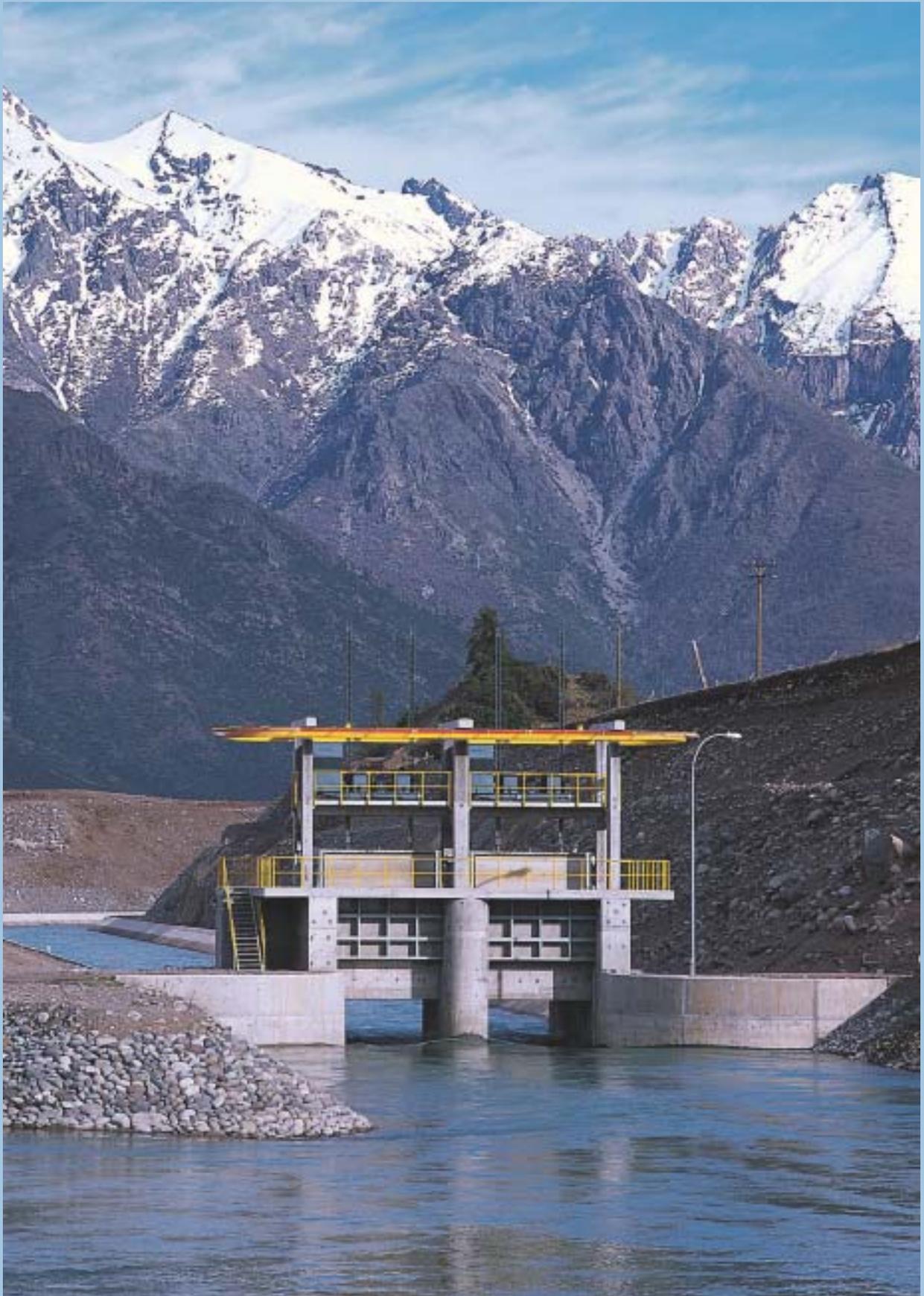
Ownership distribution



Twelve principal shareholders

| NAME | AS OF DECEMBER 31, 2001 | |
|---|-------------------------|--------------|
| | NUMBER OF SHARES | % HOLDING |
| ENERSIS S.A. (1) | 4,919,488,794 | 59.98 |
| CITIBANK, N.A. (ADR) | 835,447,710 | 10.19 |
| A.F.P. HABITAT S.A. PARA FONDO DE PENSIONES | 247,441,506 | 3.02 |
| A.F.P. PROVIDA S.A. PARA FONDO DE PENSIONES | 197,107,648 | 2.40 |
| A.F.P. PROTECCION S.A. PARA FONDO DE PENSIONES | 187,497,814 | 2.29 |
| A.F.P. CUPRUM S.A. PARA FONDO DE PENSIONES | 169,602,944 | 2.07 |
| A.F.P. SANTA MARIA S.A. PARA FONDO DE PENSIONES | 146,937,928 | 1.79 |
| A.F.P. SUMMA BANSANDER S.A. PARA FONDO DE PENSIONES | 124,632,750 | 1.52 |
| COINDUSTRIA S.A. | 44,448,588 | 0.54 |
| THE CHILE FUND INC. | 43,316,266 | 0.53 |
| BANCHILE CORREDORES DE BOLSA S.A. | 37,940,136 | 0.46 |
| CIA.DE SEGUROS DE VIDA CONS. NAC.SEG.S.A. | 35,503,879 | 0.43 |
| TOTAL | 6,989,365,963 | 85.22 |

(1) Enersis S.A is a subsidiary of Endesa-Spain.



Loma Alta Plant - Chile

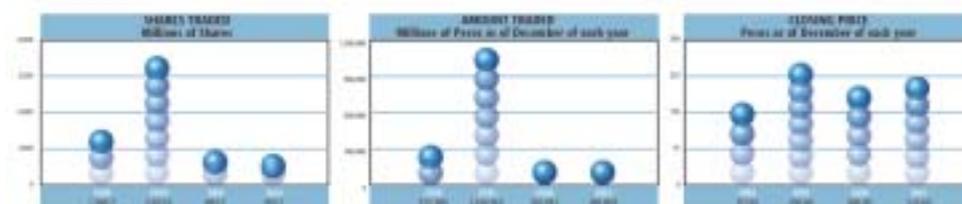
Stock-market transactions

In Chile

During 2001, 901.7 million shares of Endesa-Chile were traded on the Santiago Stock Exchange, equivalent to \$ 199,893 million. A further 483.4 million shares were traded on the Chilean Electronic Exchange, equivalent to \$ 109,551 million. Finally, 501.1 million shares were traded on the Valparaíso Stock Exchange, equivalent to \$ 110,276 million.

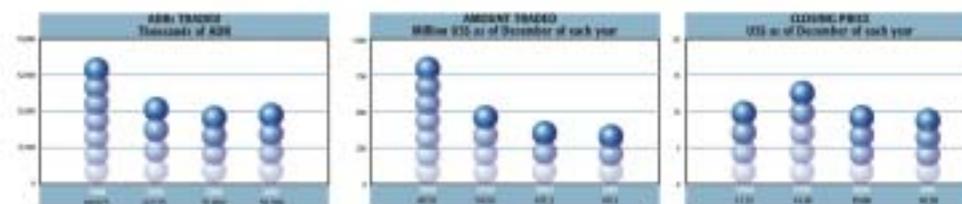
The Endesa-Chile share price closed at \$ 224.60 on the Santiago Stock Exchange, at \$ 225.51 on the Chilean Electronic Exchange and at \$ 221.00 on the Valparaíso Stock Exchange.

TRANSACTIONS ON THE SANTIAGO STOCK EXCHANGE



Transactions on the New York Stock Exchange (NYSE)

In the United States, 39,350 million ADRs were traded, equivalent to US\$ 411.1 million. Each ADR represents 30 shares. The ADR price closed the year 2001 at US\$ 10.38.



Transactions on the Madrid Stock Exchange for Latin American Companies (LATIBEX)

Since December 17, 2001, Endesa-Chile's shares are traded on the Madrid Stock Exchange for Latin American Companies (Latibex). The contract bundle unit is 30 shares. 108,140 contract bundles were traded on Latibex in December 2001, equivalent to Euros 1,217 thousands. The contract bundle closed the year 2001 at Euros 11.65.



Operational summary

The main activities performed by Endesa-Chile and subsidiaries are related to the generation and commercialization of electric energy, together with consulting and engineering services in all expertise areas.

In Argentina, Central Costanera S.A. and Hidroeléctrica El Chocón S.A. operate a total installed capacity of 3,622 MW, which represents 16 % of the total of the Argentinean Interconnected System.

In Brazil, Centrais Elétricas Cachoeira Dourada S.A., operates an installed capacity of 658 MW, which represents approximately 1 % of Brazil's installed capacity.

Endesa-Chile is the main electric power generating company in Chile and one of the largest companies in the country. In Chile Endesa-Chile and subsidiaries operate a total installed capacity of 3,935 MW, which represents 39 % of the total installed capacity in the country. 73.7 % of Endesa-Chile and subsidiaries' installed capacity

is hydroelectric and the balance, thermal. Endesa-Chile participates in the Central Grid System (SIC), the main grid system of the country, where approximately 93 % of the Chilean population live. Endesa-Chile and its subsidiaries in Chile have an installed capacity of 3,755 MW in this system, representing approximately 57 % of the SIC. The company also participates in the Northern Grid System (SING) through its subsidiary Celta and indirectly through Gasatacama and Nopel by supplying several mining companies and by selling at the spot market. Celta operates an installed capacity of 182 MW, which represents 5 % of this system.

In Colombia, Central Hidroeléctrica de Betania S.A. E.S.P. and the generation company Emgesa operate a total installed capacity of 3,035 MW, both representing 23 % of the Colombian installed capacity.

In Peru, a total installed capacity of 997 MW is operated through Edegel S.A., which represents 23 % of the Peruvian system.

Installed capacity, generation and sales of electricity of Endesa-Chile and subsidiaries

| INSTALLED CAPACITY (MW) (1) | 2000 | 2001 |
|-----------------------------|-------|-------|
| IN ARGENTINA | 3,622 | 3,622 |
| IN BRAZIL | 658 | 658 |
| IN CHILE | 4,035 | 3,935 |
| IN COLOMBIA | 3,035 | 3,035 |
| IN PERU | 997 | 997 |

| GENERATION (GWh) | 2000 | 2001 |
|------------------|--------|--------|
| IN ARGENTINA | 10,129 | 9,948 |
| IN BRAZIL | 3,406 | 2,256 |
| IN CHILE | 15,346 | 15,741 |
| IN COLOMBIA | 9,618 | 10,106 |
| IN PERU | 3,623 | 4,176 |

| SALES OF ELECTRICITY (GWh) | 2000 | 2001 |
|----------------------------|--------|--------|
| IN ARGENTINA | 15,549 | 12,988 |
| IN BRAZIL | 3,887 | 3,743 |
| IN CHILE | 20,086 | 18,673 |
| IN COLOMBIA | 13,356 | 14,591 |
| IN PERU | 3,604 | 4,239 |

(1) The maximum operating capacity of each plant as informed to the CDEC.

Industry description

Endesa-Chile generates and sells electricity in five countries. Each of these has its own regulatory framework, energy policies, number of participants in the sector, growth models and different consumption levels. The following briefly summarizes, for each country in which Endesa-Chile operates, the main legislation governing the business, the size of the market and the principal market players.

ARGENTINA

Law 24065 of January 1992 (the "Argentine Electricity Act") divides the industry into three sectors: generation, transmission and distribution. Generation is organized on the basis of independent producers who compete by selling their production on the Wholesale Electricity Market (the WEM) or through private contracts with other entities. The transmission sector comprises companies that transmit

electricity from generating points to consumers based on a free-access system. Distribution companies can buy energy under contracts or on the WEM.

The Argentine dispatch system is similar to the Chilean model, with the Organismo Encargado del Despacho (OED) that coordinates the system's most economic operation. The State Electricity Regulator (ENRE) is responsible for controlling and supervising compliance with the sector's regulations. The Energy and Ports Authority is responsible for setting policies, regulations and procedures governing the energy sector, particularly electricity.

Generating companies sell their production to distribution companies and other large customers through the WEM under contracts or at the spot prices set by CAMMESA (the WEM management company). There are three kinds of prices in the market: contractual, seasonal and spot. Contractual prices are freely agreed between distributors

or large industrial customers. Seasonal prices, calculated by CAMMESA every six months, are those payable by distributors buying in the wholesale market. The spot price is used to value transactions between generators to cover their generation surpluses or deficits compared to their contractual commitments.



In addition to their energy sales revenues, generating companies receive a payment for capacity based on the capacity made available to the system in some hours of the day and the base capacity calculated by CAMMESA in each seasonal fixing.

WEM's installed capacity at December 2001 was 22,344 MW, of which 56 % corresponded to thermal capacity. Maximum demand during 2001 was 14,061 MW and annual consumption was 73,602 GWh. Consumption grew by 2.3 % in 2001 compared to the previous year.

Apart from the WEM, there is a small sub-system which serves users of the Patagonia System and whose installed capacity was 845 MW in December 2001, equivalent to 3.6% of Argentina's total capacity.

Endesa-Chile, through its subsidiaries Central Costanera S.A and Hidroeléctrica El Chocón S.A., is one of the principal generators in Argentina, with 16 % of total installed capacity and 14 % in terms of energy sales in 2001. There are also CTM, a transmission company that owns an interconnection line with Brazil, and CEMSA, a trading company that has signed export contracts with that country. Other important operators in this market are AES, Pluspetrol, Pérez Companc and TotalFinaElf.

BRAZIL

Under the present regulatory structure, the electricity industry in Brazil is extensively regulated by the Federal Government through the Ministry of Mines and Energy. Regulatory policies are implemented by the National Electricity Agency (ANEEL) which is responsible for

- i) granting and supervising concessions for generation,

- ii) supervising and auditing concession-holding companies,
- iii) publishing regulations for the sector, and iv) planning and carrying out hydrological resource studies.

The concession regulations were replaced by two pieces of legislation published in 1995, the concession laws Nos.8987 and 9074. The main purpose of these laws is to establish the basis for reform to meet the new economic model, promoting competition in generation, granting free access to the transmission system, defining a timetable for reducing the minimum size of non-regulated customers from 10 MW, etc.

During recent years, Brazil has privatized a large number of generating plants, granted permits for the construction of thermal plants, granted concessions for new hydroelectric plants and authorized the import of energy from Venezuela and Argentina. Endesa-Chile has since last year, through its associated company CIEN, participated in a 1,000 MW interconnection project and is in the construction phase of a second line with the same capacity to start operating in the first half of 2002.

The law also introduced the concept of Independent Power Producer (IPP). The regulations establish that an independent producer may obtain a concession following a competitive tender if related to a certain-sized hydroelectric project, or by simply obtaining the corresponding authorizations if a thermal project. The concessions or authorizations typically last for between 30 and 35 years, with the possibility of an extension. As a way to prevent monopolies, the law allows that once the concession is received, the producer has access to the transmission and distribution systems provided it reimburses the related costs.

The National System Operator (ONS) is an independent entity responsible for making the hourly economic dispatch of the system. The price for spot transactions is determined by the Energy Market Assignor (MAE), controlled by the government. This spot price is calculated weekly in advance, representing a payment for energy.

There is currently no remuneration for the power supplied by each generator.

The government assigns contracts to generators on the opening of the market. These initial contracts contain programmed reductions in order to gradually free the market. At the same time, the size limitation for free customers, currently 3 MW, will disappear in 2005.

A so-called guaranteed energy figure is calculated for each generator, consisting of the generation that can be reached with a high degree of certainty. This forms a limit for the contracting of each generator and is also used in the so-called Energy Assignment Mechanism Process (MRE). This distributes the real generation of the system as a function of the guaranteed energy of each plant, thus considerably reducing exposure to the spot price and to volatility in the generators' revenues.

The Brazilian electricity sector consists of four interconnected sub-systems (South, South-east – Center-west, North and North-east). 63 % of demand is in the South-east – Center-west, around 15% each in the South and North-east, and 7 % in the North.

Because of the low water levels in the dams of the South-east – Center-west, North and North-east systems, electricity consumption has fallen by around 20 % since June 2001.

Installed capacity at December 2001 was 74,032 MW of which 90 % was hydroelectric and 10 % thermal. Peak demand during the year 2001 was 52,873 MW and consumption for the year was 328,676 GWh. Consumption decreased by 7.5 % in 2001 compared to 2000.

Endesa-Chile has a small participation in this market through its subsidiary Centrais Eléctricas Cachoeira Dourada S.A., having 1 % of the installed capacity and 1 % of total energy sales in 2001. Other important private operators in the market, apart from the state-owned Electrobrás, are Tractebel and AES.

CHILE

The Chilean electricity sector is regulated by the Ley General de Servicios Eléctricos contained in Decree Law No.1 of 1982 of the Ministry of Mining and related regulations contained in Supreme Decree No.327 of 1998. Three governmental entities are responsible for the application and compliance with the law: the Comisión Nacional de energía (the CNE) has the authority to propose the regulated tariffs (node prices) and to prepare indicative plans for the construction of new generating units; the Superintendencia de Electricidad y Combustibles (the SEC) regulates and supervises compliance with the law, regulations and technical standards for electricity generation, transmission and distribution, and liquid and gas fuels; and the Ministry of the Economy revises and approves the tariffs proposed by the CNE and regulates the granting of concessions to electricity generation, transmission and distribution companies based on reports from the SEC.

The law defines three kinds of activity: generation, transmission and distribution. The generation sector is made up of companies producing electricity from hydroelectric and thermal sources. The transmission sector comprises companies transmitting high-voltage electricity produced by the generating companies which sell it to various kinds of customers. The distribution sector comprises companies that buy energy for distribution to the public.

Under the electricity law, companies involved in generation have to coordinate their operations through the Centro Económico de Despacho de Carga (the CDEC) in order for the system to operate at minimum cost while preserving service safety. The CDEC therefore plans and operates the system including the calculation of marginal cost, being the price for transfers of energy between generators.

The generating decisions of each company therefore are subject to the CDEC's operating plan. At the same time, each company is free to decide whether to sell its energy

to regulated or non-regulated customers. Any surplus or deficit between customer sales and their generation is sold to or bought from other generators at the marginal cost. An electricity generator therefore would typically have the following kinds of customers:

Regulated customers: These are residential, commercial, small and medium-sized business customers with a consumption of 2,000 kW or less and located within the concession area of a distribution company. The transfer price between generating and distribution companies is limited by the so-called node price which is regulated by the Ministry of the Economy. Node prices are set every six months (April and October) based on a report prepared by the CNE, in turn based on forecasted marginal cost projections for the system over the following 48 months.

Non-regulated or free customers: These are customers with a consumption of over 2,000 kW, mainly industrial and mining companies. They are not subject to price regulation and can freely negotiate electricity supply prices with generating or distribution companies.

Spot market: This corresponds to energy and power transactions between generating companies resulting from the coordination carried out by the CDEC-SIC for managing the economic operation of the system. Production surpluses and deficits compared to their commercial commitments are transferred through sales to/purchases from other generating members of the CDEC-SIC. In the case of energy, this is valued every hour at the marginal cost of the system's economic operation. For power, transfers are valued at the corresponding node price as set semi-annually by the authorities.

Remuneration for the power of each generator in Chile is arrived at by a centralized calculation which produces the firm power for each plant, a value that is independent of its dispatch.

From a physical point of view, the Chilean electricity sector is divided into four electrical systems: Sistema

Interconectado Central (the SIC); Sistema Interconectado del Norte Grande (the SING); and two minor isolated systems, Aysén and Magallanes.

The SIC, the largest of the systems, extends over a length of some 2,400 km., from Taltal in the north to Quellón on the southern island of Chiloé. It has an installed capacity at December 2001 of 6,553 MW, 61 % of which is hydroelectric and 39 % thermal. Peak demand on the SIC in 2001 was 4,694 MW and annual consumption was 29,138 GWh. Consumption grew by 4.2 % during 2001 compared to 2000.

Endesa-Chile, directly and through its subsidiaries Pehuenche S.A., Pangué S.A. and San Isidro S.A., is the principal operator on the SIC, with 57 % of the total installed capacity and 61 % in energy sales to final customers in 2001. Other large operators in this market are AES Gener S.A., Colbún S.A. and Ibener S.A..

The introduction of natural gas as a fuel for combined-cycle plants has made a significant effect in the sector. The low production costs of this kind of plant have reduced the system's marginal production costs and this has led to a temporary fall in node prices. However, strong growth in demand and the absence of new investments in generation have led node prices to levels which are felt to be more consistent with long-term equilibrium. The introduction of combined-cycle plants has also reduced volatility in spot prices or marginal costs. Companies mainly dependent on hydroelectric generation, like Endesa-Chile, are therefore less exposed to extreme hydrological situations. Endesa-Chile, through its subsidiary San Isidro S.A., is also the owner of three natural-gas combined-cycle plants in Chile. This generation source has allowed it to reduce its dependence on rains and the volatility of its revenues.

The SING covers the north of the country from Arica to Coloso, a distance of some 700 km. The SING had an installed capacity at December 2001 of 3,441 MW, predominantly thermal (99.6 % of total capacity). Peak



El Salto Plant - Colombia

demand on the SING in 2001 was 1,275 MW and annual consumption was 8,991 GWh. Consumption grew by 5.6 % compared to the year before.

Endesa-Chile, through its subsidiary Celta S.A. and its associated company Nopel S.A., is an important operator on the SING, with 21 % of total installed capacity and 38 % of energy sales in 2001. Others include Electroandina S.A., Norgener S.A. and Edelnor S.A.

COLOMBIA

Two pieces of legislation regulate electricity in Colombia. Law No.142 of 1994 which sets the regulatory framework for the supply of public-utility services, including electricity, and Law No.143 of 1994 (the Colombian Electricity Law) which establishes the regulatory framework for electricity generation, commercialization, transmission and distribution.

Under the Colombian Electricity Law, the Electricity and Gas Regulatory Committee (CREG) is authorized to

- i) establish the conditions for a gradual deregulation of the market,
- ii) approve charges for the use of transmission networks,
- iii) establish methods for the calculation and publishing of the maximum tariffs for regulated customers,
- iv) establish the regulations for the planning and coordination of the Colombian interconnected system,
- v) establish the technical requirements for quality, reliability and safety in supplies; and
- vi) protect the rights of consumers.

The generation sector is organized based on a competition model where generators sell their production on an Energy Exchange at spot prices or through freely-negotiated contracts with other Exchange members and non-regulated customers. The purchase and sale of electricity can be

made between generators, distributors, traders and non-regulated customers. There are no restrictions on entry into the market provided the regulations are complied with.

The National Dispatch Center (CND) receives price offers daily from the generating members of the Exchange. These reflect the price at which each generator is prepared to supply energy and the amount available. Based on these, the Commercial Exchange System Manager (ASIC) makes the economic dispatch from the units and determines the Exchange Price, being the offered price of the most expensive unit needed to meet the demand. Finally, the CND determines the real dispatch, incorporating un-warranted generation for reasons of safety and/or transmission network limitations. The surcharge for un-warranted generation is paid by consumers through the trading companies at a price that is independent from the offers made by the plants involved.

The predominance of hydroelectric generation and the hydrological variability of Colombia have led to great volatility in Exchange prices. In order to provide greater price stability, therefore, the authorities added a charge for capacity in late December 1997. This charge is a fixed monthly payment whose amount represents the capital cost of a gas-fired thermal unit. The capacity charge is received by the generators as a function

of their generation in critical hydrological conditions. This generation is estimated based on a calculation made annually by the authorities. Generators receive this payment regardless of their actual dispatch levels.

Trading activities covered by the legislation allow parties to buy energy on the Exchange for resale to end users. Prices with non-regulated customers are agreed freely between the parts. Trading with regulated customers is subject to the maximum charges set by the CREG for each trader. These maximum charges are calculated taking into account high-tension transmission charges, distribution charges, trading charges and the last 12-month's average purchase price.

Installed capacity at December 2001 was 13,169 MW of which 66 % corresponded to hydroelectric capacity and the rest to thermal capacity. Peak demand in 2001 was 7,780 MW and annual consumption was 43,378 GWh. Consumption in 2001 was 2.7% higher than in 2000.

Endesa-Chile, through its subsidiaries Central Hidroeléctrica Betania S.A. and Emgesa S.A., had a 23 % market share in terms of installed capacity and 23 % in terms of energy sales in 2001. Other important operators in this market are AES and Unión Fenosa.



Moyopampa Plant - Peru

PERU

The regulatory framework of the Peruvian electricity industry is practically identical to the Chilean one, which was used in its preparation. The Ministry of Energy and Mines defines the policies for the electrical sector, preparing projections for the installation of new generating capacity. The Electricity Tariffs Commission (CTE) sets and publishes the regulated prices (benchmark prices) every six months (April and October). The System Economic Operating Committee (COES) coordinates and operates the electricity system in much the same way as the CDEC in Chile. The only relevant difference between the Chilean and Peruvian price systems is that under the latter, non-regulated customers are those with capacity of over 1,000 kW.

Another difference from the Chilean system is a payment for capacity, as defined by Decree 004-99-EM

(20/03/1999). This provides for remuneration based on dispatch (which grows until reaching 30 % of capacity payments in 2005) and another guaranteed payment (which reduces to 70 % by 2005).

In October 2000, the two principal systems in Peru (Center North and South) were interconnected to form the National Grid (SINAC). There are also a series of small systems for supplying isolated rural areas. The installed capacity on the SINAC at December 2001 was 4,382 MW of which 59 % was hydroelectric. Peak demand was 2,792 MW in 2001. Total generation on both systems in 2001 was 18,458 GWh, 4.7 % higher than in 2000.

Endesa-Chile, through its subsidiary Edegel S.A., had a market share of 23 % in 2001 in terms of installed capacity and 23 % in terms of energy sales. Other important operators in this market are Electroperú, Egenor, Enersur, Eepsa and Etevensa.



Risk factors

Endesa-Chile is an electricity-generation company that provides a basic-utility service and is subject to regulations and controls in various aspects of its business.

Electricity law

The Chilean Electricity Law dates back to 1982 and sets out the procedures for fixing tariffs for regulated customers and the different mechanisms for regulating the sector. The law was amended in May 1999. The basic changes introduced relate to the payment of compensation for periods of rationing due to any hydrological event and higher fines that could be charged to sector companies by the Superintendency of Electricity and Fuel. Both of these have affected the supply conditions to companies subject to tariff control. There is also a bill for reforming the regulatory framework of the Chilean electricity sector, which is expected to enter Congress during 2002 and whose terms could affect the sector's future supply conditions and investment. However, according to the known details of the draft bill, the new legislation will tend

to modernize the Electricity Law and motivate competition and market tariffs, objects with which the company is essentially in agreement.

Regarding the other countries where the company operates, the electricity law dates from 1992 in Argentina, from 1993 in Peru and from 1994 in Colombia. All these regulate the electricity sector and impose obligatory regulations. In Brazil, while it has numerous rules and regulations that partially regulate the sector and its operation, there is no integral legislation and the business is based on contracts in local currency.

Water rights

Approximately 70 % of Endesa-Chile's installed capacity in Chile is hydroelectric. The Company owns water rights granted by the Waters Authority for the supply of water from the rivers and lakes near its generating plants. Under the present law, water rights have an indefinite life and are absolute, unconditional and not subject to change. The

Chilean Congress is now considering a bill to amend the law governing water rights which includes the payment of an annual licence for water rights already granted but not yet used.

Environmental factors

The sector is subject to extensive environmental regulations that require environmental impact studies to be made for future projects in order to be approved. The requirement also applies to existing plants to reduce their levels of contamination. It should be emphasized that Endesa-Chile and its subsidiaries have always planned their projects and operations to meet and comply with the environmental regulations of the various jurisdictions in which they work.

Hydrology

A substantial part of the company's operations relate to hydraulic generation. The company is therefore quite dependent on rainfall volumes in the regions and countries in which it operates. In order to reduce the risks related to extreme drought conditions, the company has been redesigning its commercial policy, agreeing to sales commitments in line with the firm energy capacity of its generating plants in a dry year and preferring its best contracts and customers.

Investment in countries with a higher degree of country risk than Chile

While the company has made investments in the electrical sectors of countries with a higher degree of country risk than Chile, which could individually affect some foreign subsidiary, the diversification of investment abroad has enabled Endesa-Chile to reduce its global risk.

Exchange and interest rate fluctuations

The Company has a high percentage of its loans in US dollars because to a large degree its tariffs in its different markets are linked to that currency. The Brazilian and Colombian markets show a lower dollar indexation so the

subsidiaries in those countries have a greater proportion of debt in local currency. Despite this natural exchange risk hedge the Company, in a scenario of high dollar volatility during 2001, has continued with its policy of partially covering its dollar liabilities in order to attenuate the fluctuations that cause exchange differences in its results. It is the Company's policy to maintain a dollar-UF coverage of between 60 and 70 % of the consolidated balance sheet currency exposure.

Argentina at the end of 2001 was experiencing an economic and domestic social crisis which led to the closing of the exchange market and to the ending of parity between the Argentine peso and the US dollar. This persuaded the Chilean Superintendency of Securities and Insurance to issue instructions regarding the treatment of the financial statements of companies in Argentina. This states that an exchange rate of 1.7 Argentine peso per dollar should be used, so the Company's financial statements reflect this.

At the end of the year, the Company in its consolidated figures has covered, by means of dollar-peso forwards in Chile, an amount of US\$ 342 million, compared to US\$ 706 million the year before. This reduction is because the net booked uncovered currency position fell in 2001 mainly due to a fall in dollar liabilities and the accounting in dollars of the investments made in the Ralco project related to borrowings in the same currency.

Endesa-Chile also maintained its policy of covering exchange risks of currencies other than the US dollar through the use of currency swaps. Of note in this respect was the dollar-euro swap contracted by its subsidiary Endesa Chile Internacional simultaneously with the issue of its first Eurobond issue amounting to euro 400 million.

Concerning interest rate risks, the Company maintains a mix of fixed-rate (mainly long-term bonds) and floating rate debt (mainly bilateral and syndicated loans). At December 31, 2001, this mix was approximately 60/40 fixed/floating, similar to the rate of the year before. This composition is considered to be reasonable and no substantial changes are foreseen in the future.



Costanera Plant - Argentina

Operations in Argentina

Generation facilities

The generation facilities of the subsidiaries of Endesa-Chile in Argentina and the installed capacity corresponding to each of them is as follows:

| INSTALLED CAPACITY (MW) | 2000 | 2001 |
|--|----------------|----------------|
| COSTANERA | | |
| COSTANERA (STEAM-TURBINE) | 1,131,0 | 1,131,0 |
| COSTANERA (COMBINED-CYCLE) | 851,0 | 851,0 |
| CBA (COMBINED-CYCLE) | 320,0 | 320,0 |
| EL CHOCÓN | | |
| EL CHOCÓN (HYDROELECTRIC) | 1,200,0 | 1,200,0 |
| ARROYITO (HYDROELECTRIC) | 120,0 | 120,0 |
| TOTAL INSTALLED CAPACITY IN ARGENTINA | 3,622,0 | 3,622,0 |

Generation and sales of electricity

| GENERATION (GWh) | 2000 | 2001 |
|--------------------------------------|---------------|--------------|
| COSTANERA | 7,802 | 5,451 |
| EL CHOCÓN | 2,327 | 4,496 |
| TOTAL GENERATION IN ARGENTINA | 10,129 | 9,948 |

| SALES OF ELECTRICITY (GWh) | 2000 | 2001 |
|--|---------------|---------------|
| COSTANERA | 12,919 | 8,395 |
| EL CHOCÓN | 2,630 | 4,593 |
| TOTAL SALES OF ELECTRICITY IN ARGENTINA | 15,549 | 12,988 |

Activities and projects

CENTRAL COSTANERA S.A.

The year 2001 was a very wet one which led to a low use of thermal generation on the central grid. In the case of Central Costanera SA, the steam-turbine units achieved a total generation of just 378 GWh and the combined cycle a load factor of 72 %. At the same time, winter temperatures were not extreme so the use of liquid fuels was lower than in other years.

Nevertheless, the steam-turbine units generated approximately 11 % more than projected, with an availability of 96 % which is really significant bearing in mind the age of this turbo-generating group. These units had to operate at maximum generation on various occasions during system emergencies like, for example, high-tension transmission pylon falls, unforeseen stoppages at other generators, and occasional restrictions on natural gas supplies in winter.

These three situations have shown the importance of the reliability of these units in ensuring supplies to customers during times of supply shortage.



The first major maintenance was carried out during the year, corresponding to 32,000 equivalent operating hours (EOH) of the 851 MW combined cycle. Despite this, the plant produced a 95% availability for the year which contrasts with the combined-cycle plants of the competition in terms of its high availability and reliability. It is important to point out that this combined-cycle plant suffered no internal faults during the year causing a total stoppage. It also maintained its service during external disturbances to the grid.

This combination of steam-turbine units, which can meet demand under extreme conditions, and the combined-cycle unit that has operated reliably and continuously during the year, has enabled Central Costanera S.A. to maintain and consolidate its leadership position in the local wholesale electricity market.

Regarding the export of electricity to Brazil, contracts were signed this year covering approximately 46 %, being close to the average value expected for the 20-year term of the contract. Since such exports began, Central Costanera S.A. has been the largest Argentine exporter of electricity, covering 750 MW of the 1,000 MW exported from its steam-turbine units.

Regarding regulations governing the wholesale electricity market, the Energy Secretary failed in his attempt (through Decree 804) to amend Law 24065 of 1991 which provides the framework for the privatization of the system. The necessary reforms therefore remain pending since 1999 for changing certain aspects that impede

the harmonious development of the electricity market because of the lack of sufficient incentives for promoting investment in the sector.

On November 19, 2001, the ordinary, extraordinary and special classes shareholders' meetings of Central Costanera S.A. approved a commitment to merge with Central Termoeléctrica Buenos Aires S.A. (CBA) by its absorption. The merger will result in a stronger company, both financially and commercially.

The above transaction involves CBA shareholders having the right to receive 0.5943215 shares in Central Costanera S.A. for each share held in CBA, corresponding to the capital increase of Central Costanera S.A. following the take-over of CBA. This exchange value was reached based on the book values of two companies' shares at June 30, 2001. CBA shareholders receive B class shares. As a result of the merger and the share exchange terms mentioned, Central Costanera S.A. will increase its capital by \$ 12,302,378 through the issue of 12,302,378 B class shares. Consequently, the new capital of Central Costanera S.A. will be \$ 146,988,378.

The merger is effective from December 1, 2001 subject to obtaining the approval of the National Securities Commission and the Buenos Aires Stock Exchange.

HIDROELÉCTRICA EL CHOCÓN S.A.

A significant aspect of the electricity market during 2001 was the strong water flows in the Comahue and Litoral basins in a relatively wet year. The flow of the river Limay during the wet season, from May 1 to August 1, has only been exceeded three times since records began. This led to the need to open the spillways at the Arroyito



El Chocón Plant - Argentina

plant, but El Chocón was able to handle the full flow through its turbines. The maximum flow below the plant was 1,750 cu.m. per second, 45.8 % greater than the normal maximum operating level of the river Limay of 1,200 cu.m. per second.

This enabled Hidroeléctrica El Chocón S.A. to beat its generating record with a daily generation of 25,200 MWh on July 23 and a monthly generation for that month of 697,070 MWh. It also broke its annual generation record with a total of 3,763 GWh.

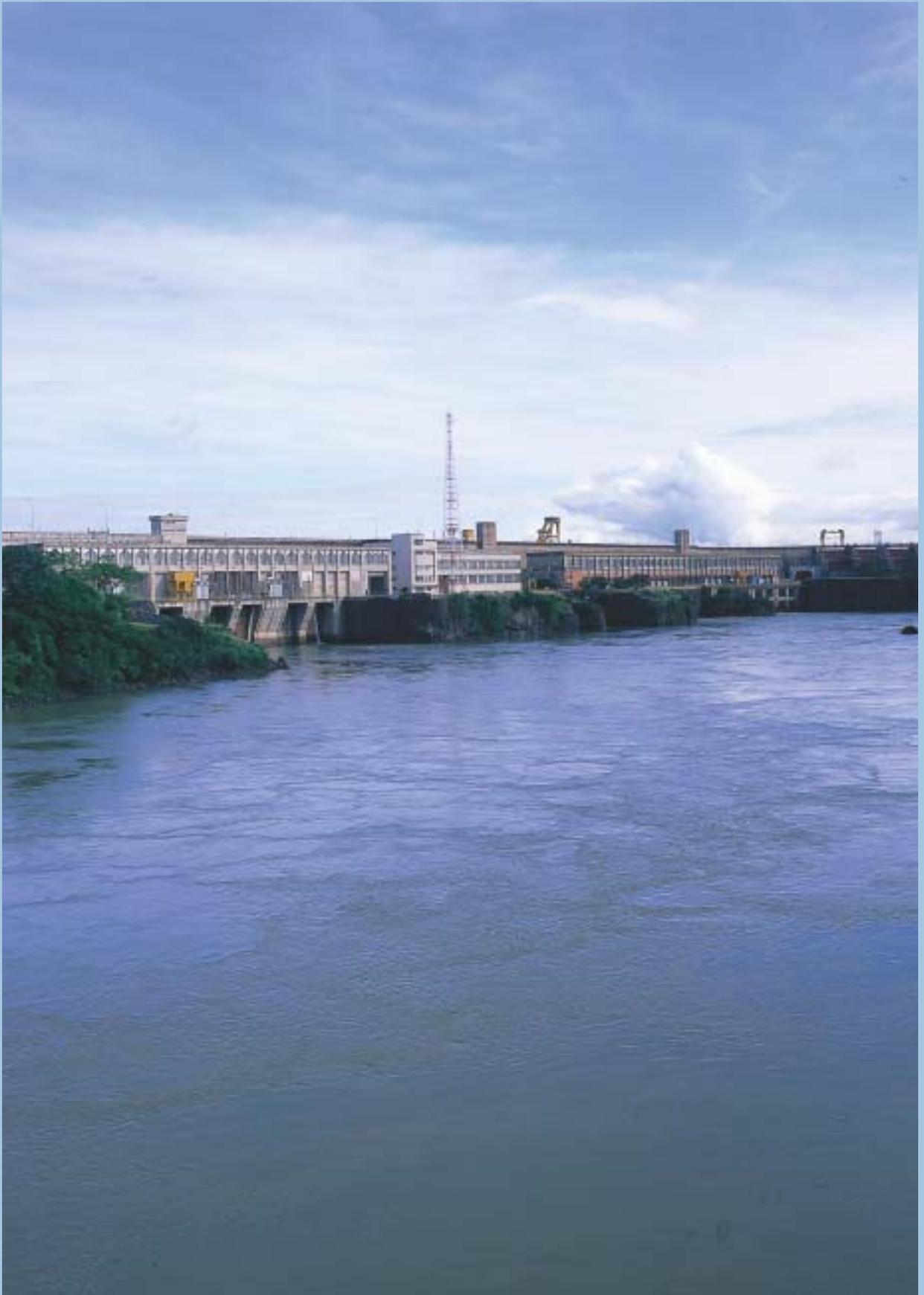
The company achieved a very high availability and reliability in its installations, resulting in a joint availability of the Chocón-Arroyito plants exceeding 98 %.

It is important to note the effect on this result of the high production of the plants in the face of the low energy prices in the market.

Regarding the regulatory framework, Decree 804/01 deregulating the electricity sector was rejected by the Chamber of Deputies. The reforms necessary for changing several aspects of the regulations to help with the harmonious development of the electricity market, by providing proper signs for motivating investment, therefore remain pending.

CIEN ARGENTINA-BRAZIL ENERGY INTERCONNECTION PROJECT

This is covered in the chapter Operations in Brazil



Cachoeira Dourada Plant - Brazil

Operations in Brazil

Generation facilities

| INSTALLED CAPACITY (MW) | 2000 | 2001 |
|------------------------------------|-------|-------|
| CACHOEIRA DOURADA (HYDROELECTRIC) | 658.0 | 658.0 |
| TOTAL INSTALLED CAPACITY IN BRAZIL | 658.0 | 658.0 |

Generation and sales of electricity

| GENERATION (GWh) | 2000 | 2001 |
|----------------------------|-------|-------|
| CACHOEIRA DOURADA | 3.406 | 2.256 |
| TOTAL GENERATION IN BRAZIL | 3.406 | 2.256 |

| SALES OF ELECTRICITY (GWh) | 2000 | 2001 |
|--------------------------------------|-------|-------|
| CACHOEIRA DOURADA | 3.887 | 3.743 |
| TOTAL SALES OF ELECTRICITY IN BRAZIL | 3.887 | 3.743 |

ACTIVITIES AND PROJECTS

CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.

On August 9, 2001, an auction of shares in Cachoeira Dourada S.A. was made on the stock exchange, resulting in the sale of 665,164 shares of common stock and 18,997,510 shares of preferred stock at a price of R\$ 262.71 per thousand shares. Of the shareholders present, 99.23% sold their shares. This transaction met the necessary conditions for closing the company's capital which occurred in September with the cancellation of the company's name as an open corporation with the Securities Commission. After the closing of the capital, 3 shareholders sold their shares, corresponding to 31,029 shares of common stock and 77,299 shares of preferred stock at a price of R\$ 264.71.

CIEN ARGENTINA-BRAZIL ENERGY INTERCONNECTION PROJECT

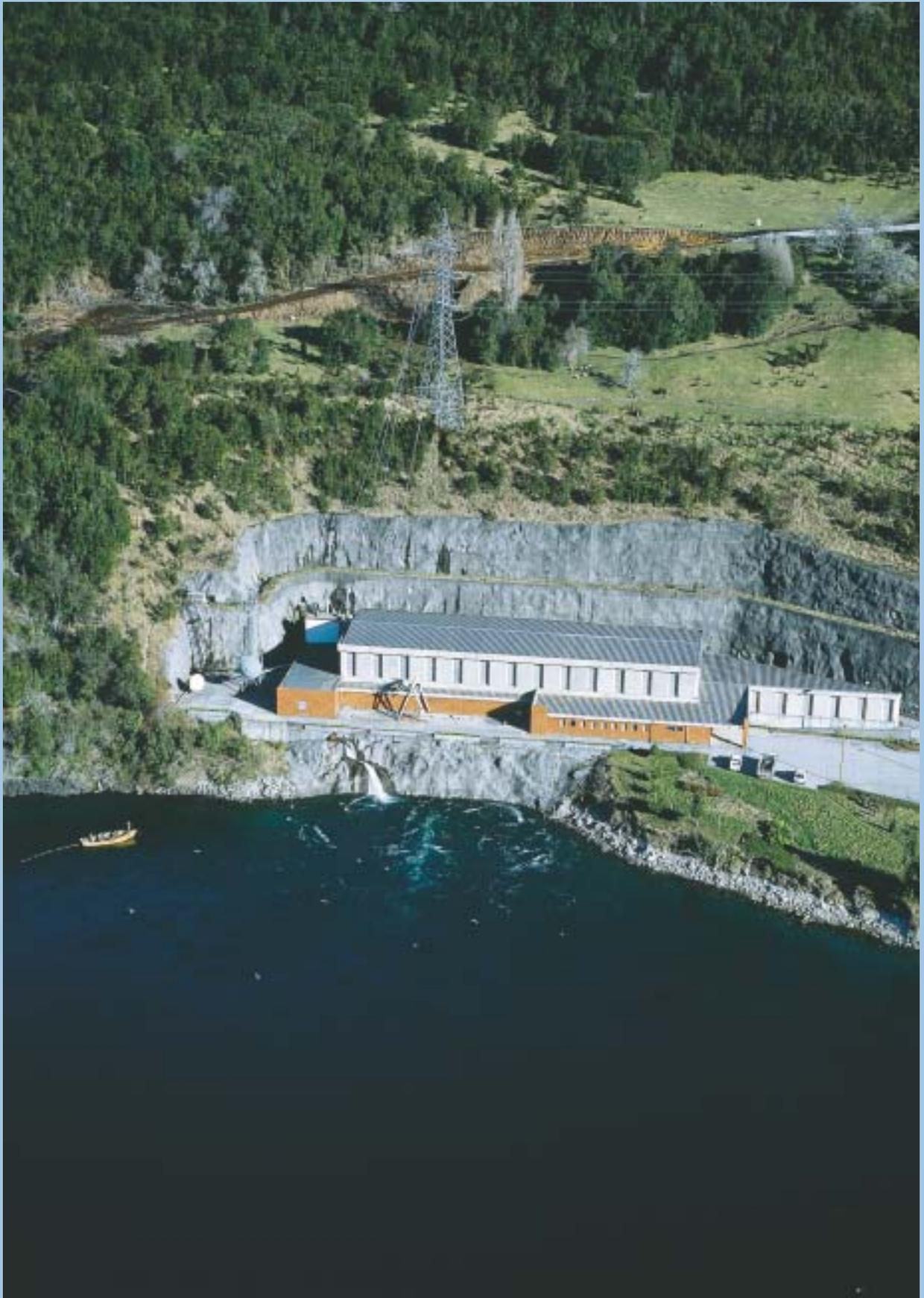
This project consists of making an electricity interconnection for selling firm capacity of 2,000 MW, with associated energy, between Argentina and Brazil. It involves

the construction of 2 lines of 487 km. which are each divided into a 134 km. long section of 1 x 500 kV between the Rincón de Santa María substation in Argentina and the Garabí conversion station in Brazil, and another 353 km. long section of 1 x 525 kV between the Garabí conversion station and the Itá substation in Brazil. It also has a 50 Hz to 60 Hz frequency conversion station called Garabí and expansions of the Rincón de Santa María and Itá substations.

The first line has been in service since June 2000 and energy transmitted during the year 2001 from Argentina to Brazil was 3,810 GWh.

The second line is under construction, with 85% progress achieved at December 31, 2001. It is expected to enter into service in the first half of 2002. Works during 2001 were mainly related to the building and assembly of pylons, conductor tethering, expansion of the Rincón de Santa María and Itá substations, civil works and assembly of 2 blocks of 500 kV at the Garabí conversion station.

The estimated investment in the project's two lines amounts to approximately US\$ 650 million.



Canutillar Plant - Chile

Operations in Chile

Endesa-Chile and its Chilean subsidiaries have generating facilities comprising nineteen plants along the Central Grid System (SIC) and one plant on the Northern Grid System (SING).

Generation facilities of Endesa-Chile and subsidiaries

| FACILITY | TYPE | SYSTEM | INSTALLED CAPACITY (MW) (1) |
|-----------------------------|--------------------|--------|-----------------------------|
| HYDROELECTRIC | | | 2,899.0 |
| RAPEL | RESERVOIR | SIC | 377.0 |
| CIPRESES | RESERVOIR | SIC | 106.0 |
| EL TORO | RESERVOIR | SIC | 450.0 |
| CANUTILLAR | RESERVOIR | SIC | 172.0 |
| PEHUENCHE | RESERVOIR | SIC | 566.0 |
| PANGUE | RESERVOIR | SIC | 467.0 |
| LOS MOLLES | RUN-OF-THE-RIVER | SIC | 18.0 |
| SAUZAL SAUZALITO | RUN-OF-THE-RIVER | SIC | 90.0 |
| ISLA | RUN-OF-THE-RIVER | SIC | 68.0 |
| ANTUCO | RUN-OF-THE-RIVER | SIC | 320.0 |
| ABANICO | RUN-OF-THE-RIVER | SIC | 136.0 |
| CURILLINQUE | RUN-OF-THE-RIVER | SIC | 89.0 |
| LOMA ALTA | RUN-OF-THE-RIVER | SIC | 40.0 |
| THERMAL-ELECTRIC (2) | | | 1,035.8 |
| HUASCO | COAL-STEAM | SIC | 16.0 |
| BOCAMINA | COAL-STEAM | SIC | 128.0 |
| TARAPACÁ | COAL-STEAM AND GAS | SING | 181.8 |
| DIEGO DE ALMAGRO | TURBOGAS | SIC | 23.8 |
| HUASCO | TURBOGAS | SIC | 64.2 |
| SAN ISIDRO | NATURAL GAS | SIC | 379.0 |
| TALTAL (2) | NATURAL GAS | SIC | 243.0 |
| TOTAL POWER | | | 3,934.8 |

(1) The maximum operating capacity of each plant as informed to the CDEC.

(2) Finalizing the dismantling of the emergency turbines that were installed to reduce the effects of the supply crisis caused by the drought in 1998-1999, the Antihue plant (100 MW) gas turbines were withdrawn from the central grid in October 2001. Similarly, in July 2001, the process dismantling and returning to Nopel of the 120 MW gas turbine (formerly Cabrero plant) was begun.

In addition, the associate company Nopel on the SING had in December 2001 75 % of the project's capacity operating, consisting of four 185 MW natural-gas combined-cycle modules. The fourth module is expected to start operating during the first half of 2002.

The generation capacity of Endesa-Chile and its subsidiaries in Chile represents 57 % of the total installed capacity for public service in the SIC and 5.5% of the SING (28.8 % with NOPEL).

Contracts and customers

The company is oriented to satisfy the electric power supply of regulated and non-regulated customers of the Central Grid System (SIC) and of the Northern Grid System (SING). In those systems the electric market has experienced annual growths that have reached in the last 6 years average annual ratios of 7.0 % and 14.4 % respectively.

Endesa-Chile signed important supply contracts with free customers in 2001 which included clauses covering hydrology risks: CODELCO Salvador (85 MW) covering from October 2001 to September 2004, Papeles Norske Bio Bio (33 MW), and Compañía Minera del Pacifico (55 MW) for its pellets plant and Romeral and Los Colorados mines. As part of CODELCO's corporate tender, Endesa-Chile also won the supply contract for the Salvador Division for the period between October 2004 and September 2010.

On the SING, the subsidiary Celta together with the associate company Nopel, reached an agreement for both companies to supply the energy requirements of the expansion program of Compañía Minera Doña Inés de Collahuasi, implying related capacity of 88 MW as from 2004.

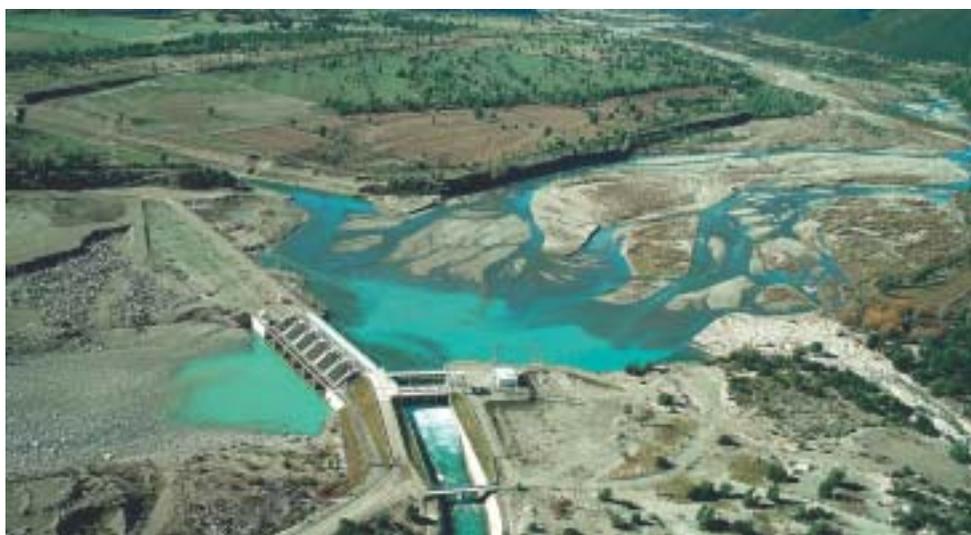
With respect to contracts with subsidiaries, Endesa-Chile in 2001 bought energy from its subsidiaries Empresa Eléctrica Pehuenche S.A. (1,500 GWh) and Compañía Eléctrica San Isidro S.A. (1,200 GWh) under supply contracts whose amount is adjusted to their respective commercial policies in order for them to maintain balanced sales books.

It should also be mentioned that Compañía Eléctrica San Isidro S.A. signed a 4-year plant maintenance contract with Mitsubishi starting in December 2001.

Market share

The sales of electricity by Endesa-Chile and its subsidiaries to its SIC customers amounted to 14,333 GWh in 2001, showing a decrease of 3.9 % with respect to 2000. This volume represents a share of 49 % in the total sales of the SIC. The sales to regulated clients reached 53 % of this total, while the sales to non-regulated clients represented 27.8 %, and the sales in the spot market reached 19.2 %.

Also, the sales of electric power of the subsidiary Celta to its clients of the SING amounted to 920 GWh during 2001, representing a share of 10.3 % in the total sales of the SING.



Maule Intake - Chile

Installed capacity, generation and sales of electricity of Endesa-Chile and its Chilean subsidiaries

| INSTALLED CAPACITY (MW) | 2000 | 2001 |
|---------------------------------|----------------|----------------|
| ENDESA-CHILE | 2,312.0 | 2,212.0 |
| PEHUENCHE | 695.0 | 695.0 |
| PANGUE | 467.0 | 467.0 |
| SAN ISIDRO | 379.0 | 379.0 |
| CELTA | 181.8 | 181.8 |
| TOTAL INSTALLED CAPACITY | 4,034.8 | 3,934.8 |

| GENERATION (GWh) | 2000 | 2001 |
|-------------------------|---------------|---------------|
| ENDESA-CHILE | 6,706 | 7,228 |
| PEHUENCHE | 3,482 | 4,213 |
| PANGUE | 2,009 | 1,978 |
| SAN ISIDRO | 2,153 | 1,628 |
| CELTA | 994 | 695 |
| TOTAL GENERATION | 15,346 | 15,741 |

| SALES OF ELECTRICITY (GWh) | 2000 | 2001 |
|---|---------------|---------------|
| TO CUSTOMERS BY CONTRACTS: | | |
| ENDESA-CHILE | 10,462 | 11,071 |
| PEHUENCHE | 2,478 | 754 |
| PANGUE | 1,242 | 1,659 |
| SAN ISIDRO | 729 | 849 |
| CELTA | 874 | 920 |
| SALES OF ELECTRICITY IN THE SPOT MARKET | 4,301 | 3,419 |
| TOTAL SALES OF ELECTRICITY | 20,086 | 18,673 |

Other activities and electricity projects

The following were the main activities and projects carried out in 2001 :

RALCO PROJECT

The Ralco project is located in the High Biobío River basin some 120 km. to the south-east of the town of Los Angeles and some 30 km. up-stream from the Pangué plant. The Ralco plant, whose nominal capacity will be 570 MW, will contribute annually an average generation of 3,100 GWh to the electricity grid.

The river Biobío overflowed in May 2001 causing considerable damage to the Ralco project construction works including the destruction of the cofferdams which were then diverting the river Biobío around the sector where the Ralco dam will be built.

This forced the modification of the date for commissioning the plant, originally planned for mid 2003. This should now be completed partially by December 2003 and finally by mid 2004.

At December 31, 2001, progress in the works construction was 52.7 %, according to the modified project program.

Endesa-Chile and its contractors have made every effort to recover the damaged works and to meet the new works program. A new diversion of the river Biobío was managed by mid August, a fundamental stage in the project's program.



By December 2001, infrastructure works such as access roads and bridges, and the electricity feed line for the works, were finished. Special importance was given to rebuilding the public highway, built by Endesa-Chile, providing access to the communities of Chenquenco and El Barco farm. The diversion tunnel works and excavations of the dam-wall bed are also completed.

Regarding the environmental aspects of the project, significant progress was made in 2001 in all our plans and programs, including the environmental impact study and environmental qualification resolutions. Compliance with Endesa-Chile's environmental commitments has been certified by independent auditors who report to the environmental authorities on both ecological and social/cultural aspects. To control these environmental aspects, Endesa-Chile has a team of multi-disciplinary professionals in both Santiago and Ralco.

There has been substantial progress in various areas, like a study and alternative proposals presented to CONAMA for establishing a Biological Reserve that Endesa-Chile has to create as some compensation for the loss of habitats, the approval by CONAF for the 8th Region of the Forestry Management Plan of the area to be flooded when the dam is complete, the carrying out of reforestation and the signing of reforestation agreements and housing subsidies for those indirectly affected.

The Pehuenche families have shown a great acceptance of their new lands and great enthusiasm to take part in all the programs contained in the Relocation Plan. This

attitude has been reinforced during the summer of 2000 - 2001 through the productive development plan which has produced extraordinary increases in yields compared to those on their original lands. Compared to the previous season, each community this year has double the area under cultivation due to the greater number of families participating (all those relocated) and the greater participation by each of them.

There has also been substantial progress in the other programs under the Relocation Plan: social, tourism and cultural. The good results in terms of school reinsertion, the definition and approval by CONAMA of the tourism plan for the El Barco Community which will be built soon, the publication of a series of books in Mapudungún, "Mahuida, Relatos Pehuenches del Alto Bio-Bio", and the continuation of the holding of ceremonies such as "nguillatún" and "punteventún" following the initiatives of the Pehuenche communities themselves with the support of Endesa-Chile, confirm that the renewal programs begun in 2000 have come to be seen as their own.

Ralco – SIC interconnection project

This consists of the construction of a 140 km. 2 x 220 kV transmission line connecting the Ralco plant to Charrúa substation where the energy will be supplied to the Central Grid System.

Agreements were reached in 2001 for rights of way with most of the property owners affected by the line. All the required information for granting the electricity concession was also handed to the Superintendency of Electricity and Fuels, and the 8th Region Conama approved the project's environmental impact study.

The contract, under a tender, for the construction, financing, operation, maintenance and transmission was



San Isidro Plant - Chile

awarded to Abengoa Chile S.A. Under this, Endesa-Chile pays an annual toll over 20 years following which the line reverts to Endesa-Chile. The expected start-up date is the second half of 2003.

Record generation by the hydroelectric plants

The combined plants of Endesa-Chile and its subsidiaries twice broke the record for hydroelectric generation. Total production in July was 1,300 GWh, 61 GWh higher than the previous record established in 1997. This was again exceeded in August with 1,328 GWh. The increases were due to favorable rainfalls during the year, the availability of units and good coordination of operations.

Endesa Chile obtains its first ISO 14001 certification at its San Isidro plant

This company obtained the ISO 14001 certification of its Environmental Management System on October 31, thus meeting the commitment of the Endesa-Chile Group to achieve both plant energy efficiency and to operate with due respect for the environment.





El Guavio Dam - Colombia

Operations in Colombia

Generation facilities

The generation facilities of the subsidiaries of Endesa-Chile in Colombia and the installed capacity corresponding to each of them is as follows:

| INSTALLED CAPACITY (MW) | 2000 | 2001 |
|---|----------------|----------------|
| EMGESA | | |
| GUAVIO (HYDROELECTRIC) | 1,150.0 | 1,150.0 |
| CADENA VIEJA (HYDROELECTRIC SYSTEM) | 544.0 | 544.0 |
| CADENA NUEVA (HYDROELECTRIC SYSTEM) | 580.5 | 580.5 |
| TERMOZIPIA (THERMAL-ELECTRIC) | 220.0 | 220.0 |
| BETANIA | | |
| BETANIA (HYDROELECTRIC) | 540.0 | 540.0 |
| TOTAL INSTALLED CAPACITY IN COLOMBIA | 3,034,5 | 3,034.5 |

Generation and sales of electricity

| GENERATION (GWh) | 2000 | 2001 |
|-------------------------------------|--------------|---------------|
| EMGESA | 7,246 | 8,335 |
| BETANIA | 2,372 | 1,770 |
| TOTAL GENERATION IN COLOMBIA | 9,618 | 10,106 |

| SALES OF ELECTRICITY (GWh) | 2000 | 2001 |
|---|---------------|---------------|
| EMGESA | 10,834 | 12,029 |
| BETANIA | 2,522 | 2,562 |
| TOTAL SALES OF ELECTRICITY IN COLOMBIA | 13,356 | 14,591 |

Activities and projects

EMGESA S.A. E.S.P.

This company achieved 94.6 % availability in 2001 in its generating units and forced power failures were reduced by 22.2 %.

Work continued on mitigating the environmental impact of the Muña reservoir. By the end of the year, the construction of isolation dams between the main body and the reservoir's extremities, a directional barrier to increase the water retention time in the main body and the construction of a medium-tension line for the start-up of the pumping stations, all in accordance with the Environmental Management Plan approved by the Autonomous Regional Corporation.

It examined plant faults that occurred during the year. The rotor of Unit 6 of the Darío Valencia plant, which showed cracking, was repaired. Partial discharge problems

were detected at the Salto I plant and repair work, which included coil changes in the four generators, was started by the manufacturer under its guarantee.

Nine Remote-Controlled Terminal Units were bought to supervise Emgesa generating plants by the National Dispatch Center. These will be installed in the first quarter of 2002 to comply with Resolution CREG-080 of 1999. Conversion factor tests were carried out on all Emgesa's generators.

A big effort was also made in presenting technical proposals to the regulator for the more equitable distribution of load capacity effective from December 1, 2001. As a result, the government will now begin an analysis of its calculation methods with a view to possibly changing these as from December 2002.

The Emgesa Foundation had supported 47 social projects by the end of the year for improving the standard of living of communities living near the plants. The amount provided during the year was US\$ 425,000.



Canoas Plant - Colombia



Betania Plant - Colombia

As from March 2001, 565 non-regulated customers of Codensa S.A. and Enersis Energía de Colombia S.A., with an average monthly consumption of 140.6 GWh, began to be supplied by Emgesa S.A. E.S.P. Emgesa today has 657 customers and a monthly consumption of 174.9 GWh.

CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.

This plant achieved a real availability of 96.9 % in 2001, a 0.3 % improvement over budget. Forced power failures due to internal causes were reduced by 66.7 %.

In November 2001, a new connection contract was signed with Electrificadora del Huila S.A. E.S.P. for a period of 25 years to expand transforming capacity to the south of the country, the only way for supplying energy to the Departments of Huila, Caquetá and sectors of Cauca and Tolima. The present connection is made with a bank of transformers with a 150 MVA capacity. The increase of 168 MVA will be supplied by CODENSA, thus increasing total transforming capacity to 318 MVA. The works contract was signed between the company and Electrificadora del Huila S.A. E.S.P. and is guaranteed by the Department Governor and the regional and national authorities which, together with the community, expressed their pleasure with this important project.



Chimay Plant - Peru

Operations in Peru

Generation facilities

The generation facilities of the subsidiaries of Endesa-Chile in Peru and the installed capacity corresponding to each of them is as follows:

| INSTALLED CAPACITY (MW) | 2000 | 2001 |
|---|--------------|--------------|
| EDEGEL | | |
| HUINCO (HYDROELECTRIC) | 247.3 | 247.3 |
| MATUCANA (HYDROELECTRIC) | 128.6 | 128.6 |
| CALLAHUANCA (HYDROELECTRIC) | 74.4 | 74.4 |
| MOYOPAMPA (HYDROELECTRIC) | 64.7 | 64.7 |
| HUAMPANI (HYDROELECTRIC) | 30.2 | 30.2 |
| SANTA ROSA (THERMAL-ELECTRIC) | 261.0 | 261.0 |
| YANANGO (HYDROELECTRIC) | 42.0 | 42.0 |
| CHIMAY (HYDROELECTRIC) | 149.0 | 149.0 |
| TOTAL INSTALLED CAPACITY IN PERU | 997.2 | 997.2 |

Generation and sales of electricity

| GENERATION (GWh) | 2000 | 2001 |
|---------------------------------|--------------|--------------|
| EDEGEL | | |
| | 3,623 | 4,176 |
| TOTAL GENERATION IN PERU | 3,623 | 4,176 |

| SALES OF ELECTRICITY (GWh) | 2000 | 2001 |
|---|--------------|--------------|
| EDEGEL | | |
| | 3,604 | 4,239 |
| TOTAL SALES OF ELECTRICITY IN PERU | 3,604 | 4,239 |

Activities and projects

EDEGEL S.A.

Edegel in 2001 continued with its broad plan for modernizing the equipment and installations of its hydroelectric and thermal plants. While there were no large-scale projects, improvement works continued throughout the year. The following are some of the more important works carried out during the year.

- Application of tungsten carbide coatings at the Moyopampa and Callahuanca plants in order to reduce maintenance costs through reduced wear and tear. This will bring savings of US\$ 17,000 annually.
- Construction of wire fencing for the Huampaní canal to provide increased safety for neighboring residents. The cost of this work was US\$ 77,000.
- Change of transformer at the Moyopampa plant whose insulation was worn out. The total investment in equipment, assembly and start-up amounted to US\$ 162,000.
- Repair of the stator coils of a generator at the Matucana plant costing US\$ 20,000.

-Rehabilitation of transmission lines for US\$ 105,000.

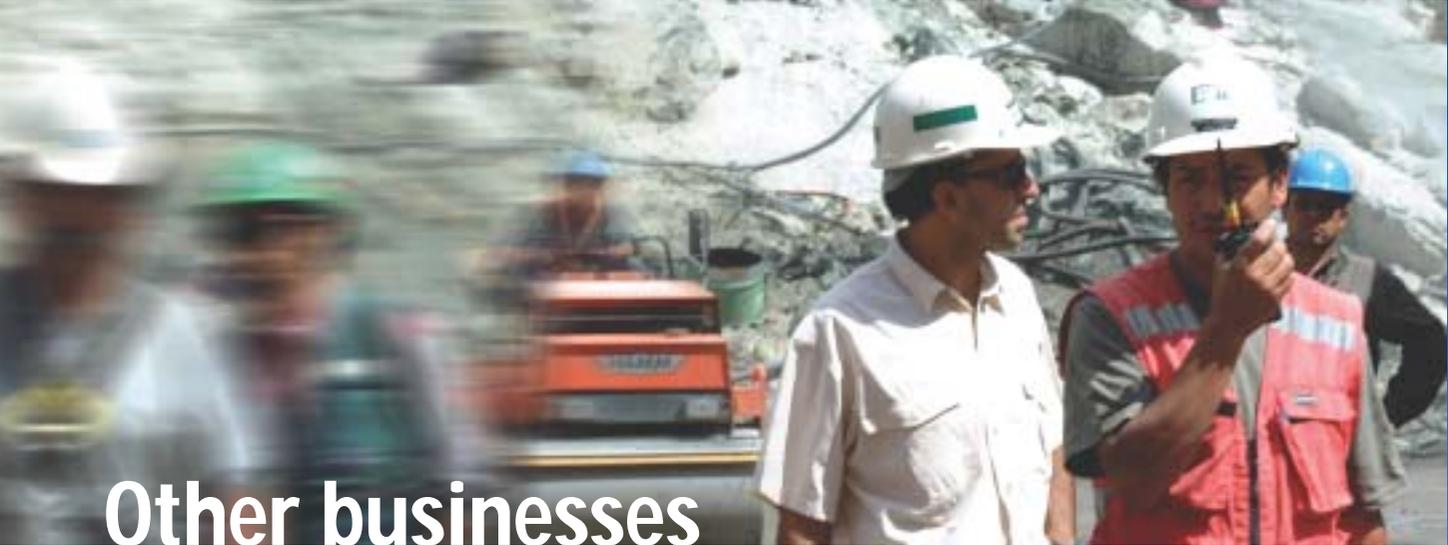
-The electromagnetic synchronizer was withdrawn at the Huinco plant and a new digital one was installed. This change in technology has provided a safer and more reliable operation. This investment cost US\$ 12,000.

-Repair of 195 sq.m. of plinths up-river from the Huinco dam at a cost of US\$ 84,000.

-Repair of 232 sq.m. of plinths with packed stones down-river from the Huampaní intake in order to avoid a weakening of the side walls. The cost was US\$ 44,000.

-Repair of the Tulumayo intake and Chimay plant discharge. This prevents river silt from entering the plant's discharge pool. It included reinforcing the side slope of the left-hand river basin to stabilize the area around the Chimay plant. At the Tulumayo intake, the down-river side walls were reinforced. The cost was borne by the contractor as part of the works guarantee.

-Roofing of the Marcapomacocha canal over a length of 501m. to prevent the disposal of waste into the canal which is carried to the Trasandino tunnel where it is difficult to extract. The cost of these works was US\$ 46,000.



Other businesses

INGENDESA

Ingendesa in 2000 participated in large investment projects, particularly in energy, infrastructure, mining, public works and telecommunications, through services provided to both Group and unrelated companies.

The principal services provided to related companies included designing the details and inspection of the construction of the Ralco hydroelectric plant; advice and administration of the construction of the Taltal thermal plant and the related transmission system, for Endesa-Chile; design engineering services for the SING expansion project, engineering and management support services for the construction and electrical supply of the El Tesoro mine and a study for the improved reliability of the Atacama plant, for Nopel; multi-disciplinary engineering and management support services for the construction of the Los Libertadores highway; ISO 14001 environmental

management advisory services, for San Isidro, whose certification was obtained in November of 2001; design services for the expansion of distribution substations, for Chilectra, and design services and the technical inspection of mobile telephone network works, for Smartcom.

Among services provided to un-related companies we should mention the Costanera Norte project, civil and mechanical engineering services for the Costanera Norte concession-holder; studies of the state of 69 kV lines and 34.5 kV Monturaqui substation and basic design of the Premina 13.8 kV line for Minera Escondida; specialist project management services for Codelco's Andina Division; detailed design of pressure tubing for the Chacabuquito plant and design of the Los Quilos – Tap El Llano 220 kV line for Hidroeléctrica Guardia Vieja; preparation of master plans for the evacuation of rain waters in the cities of Chillán and Los Angeles, and advisory services for the fiscal inspection of the Lake

Diguillin project for the Ministry of Public Works; technical inspection of the Santiago South waste water treatment plant and supervision of the inspection and engineering of the counter-party of the La Farfana plant for EMOS; technical inspection of the Los Quillayes tailings dam for Minera Los Pelambres; management and construction support for the Santiago – Los Vilos Route 5 highway concession for Autopista del Aconcagua; study of the modification of the Polpaico – Quillota 220 kV line, basic design and preparation of the tender bases for the expansion of Charrúa, Ancoa and Alto Jahuel substations by 500 and 220 kV for the entry of the Ralco plant; design of the Ancoa –Itahue 220 kV line, design of the transformation to 500 kV of the Charrúa- Ancoa lines for Transelec; detailed design for the western extension of the Santiago Metro Line 5, detailed design of the southern extension of Line 2, technical inspection of western extension works of Line 5, geotechnical monitoring of the western tunnel of Quinta Normal station and study of tunnel excavation using tunnelling equipment for the Santiago Metro; technical inspection of the Los Quillayes tailings dam works for Minera Los Pelambres; environmental monitoring plan of the Lago Atravesado plant for Edelayen; and gravel and reinforced concrete laboratory services in the 6th and 7th Regions for Petreos.

Internationally, the subsidiary Ingendesa Do Brasil began operations, providing support in obtaining permits and accommodating the engineering services of Ingendesa to the standards of Brazil relating to the Fortaleza combined-cycle plant project; management and technical inspection services continued for the CIEN II Project for the Argentina – Brazil electricity interconnection; studies related to developing the Uruguay-Brazil electricity interconnection, and specialized advisory services for evaluating EPC contracts for third parties in Central America and Brazil (the owner contracts engineering, procurement and construction services from just one party).

SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.

Over 1,148,631 vehicles used the installations of Túnel El Melón S.A. in 2001. This represents 2.3 % volume growth and the concession-holder's revenues decreased by 0.7 % over 2000, explained by the fact that toll rates have remained unchanged since 1999.

67 % of the traffic using the tunnel were light vehicles, while buses represented 13 % and trucks 20 %.

The concession-holder has taken measures to increase traffic volumes and to reduce operating and maintenance costs.

SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.

The concession consists of the design, construction and exploitation of the 108 km.-long Santiago-San Antonio highway, at restricted-highway standard. The new highway involves improving the existing surface and accesses, with no route change in the section Malloco - Leyda; a new two-lane 24 km.-route in the Santiago-Malloco urban section; modification of the route adding two-lane roadway between Leyda and Agua Buena; fly-overs at intersections, a reduction in the number of accesses and the introduction of complementary services like service stations, telephones, toilet facilities, truck parking facilities, restaurants, etc.

The Ministry of Public Works gave its final reception of the highway public works in June 2001.

There was a 1.7 % increase in traffic volumes in 2001. Additional toll booths were installed at Rinconada and Melipilla to improve service at peak times.

Slip roads and toll booths at El Monte, eleven bus stopping places, six additional pedestrian bridges and 3 km. of service roads were built in 2001. Complementary works were also carried out to prevent flooding in the urban section of the highway and the roadway, electrical



Autopista del Sol highway

and lighting conservation and maintenance, collection equipment and toll and green areas control plans were duly met.

Effective December 4, 2001, a speed limit of 120 km. per hour was authorized for the Santiago-Mallico section, and on December 12, Autopista del Sol was commended for being the top service company in the Metropolitan Region for achievements in risk prevention. We should also mention the fall in the number of accidents on this highway.

The traffic volume in 2001 was 16,159,067 vehicles.

SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A.

The project consists of the widening and improvement of the present General San Martín highway, approximately 90 km. long, and involving the construction of a two-lane highway and access roads between Santiago and Colina, a Colina two-lane by-pass between Peldehue and Casas

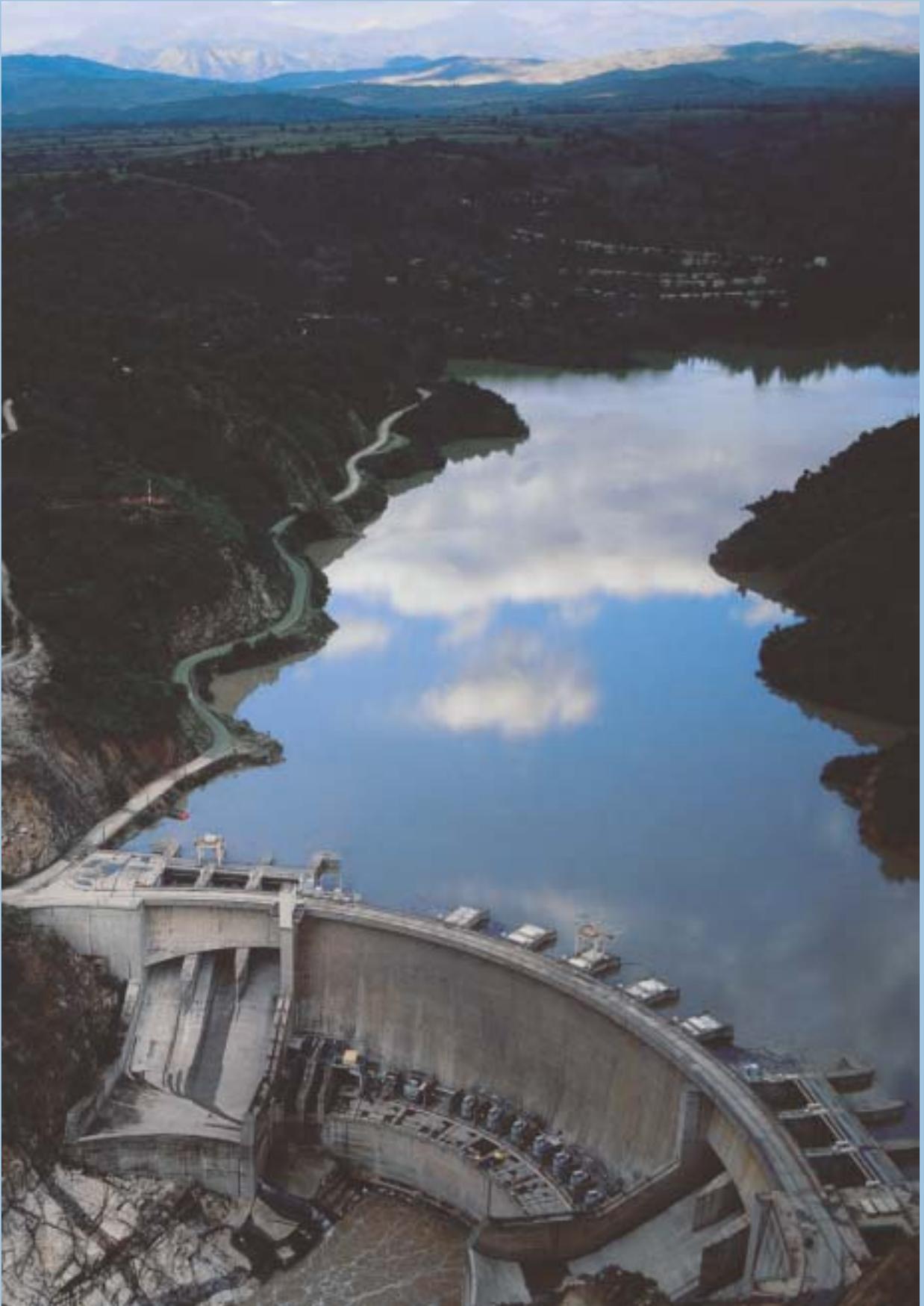
de Chacabuco and a one-lane Los Andes by-pass. It also includes the improvement and resurfacing of the Chacabuco tunnel.

In December 2001, the Ministry of Public Works gave its final reception of the highway works.

The services and bus stopping areas were finished during the year. As a complementary work, construction took place of the Américo Vespucio - Independencia intersection, connecting the highway with the urban road network. Progress with these works is 89 %. Work was also started on the Las Canteras crossing.

As part of the works necessary for operating the highway, the company has met the conservation and maintenance plans for the roadway, electrical installations and lighting, collection equipment and toll and green areas controls. Autopista Los Libertadores in 2001 recorded the lowest accident rate on Chilean concession-managed roads.

The traffic volume in 2001 was 7,116,411 vehicles

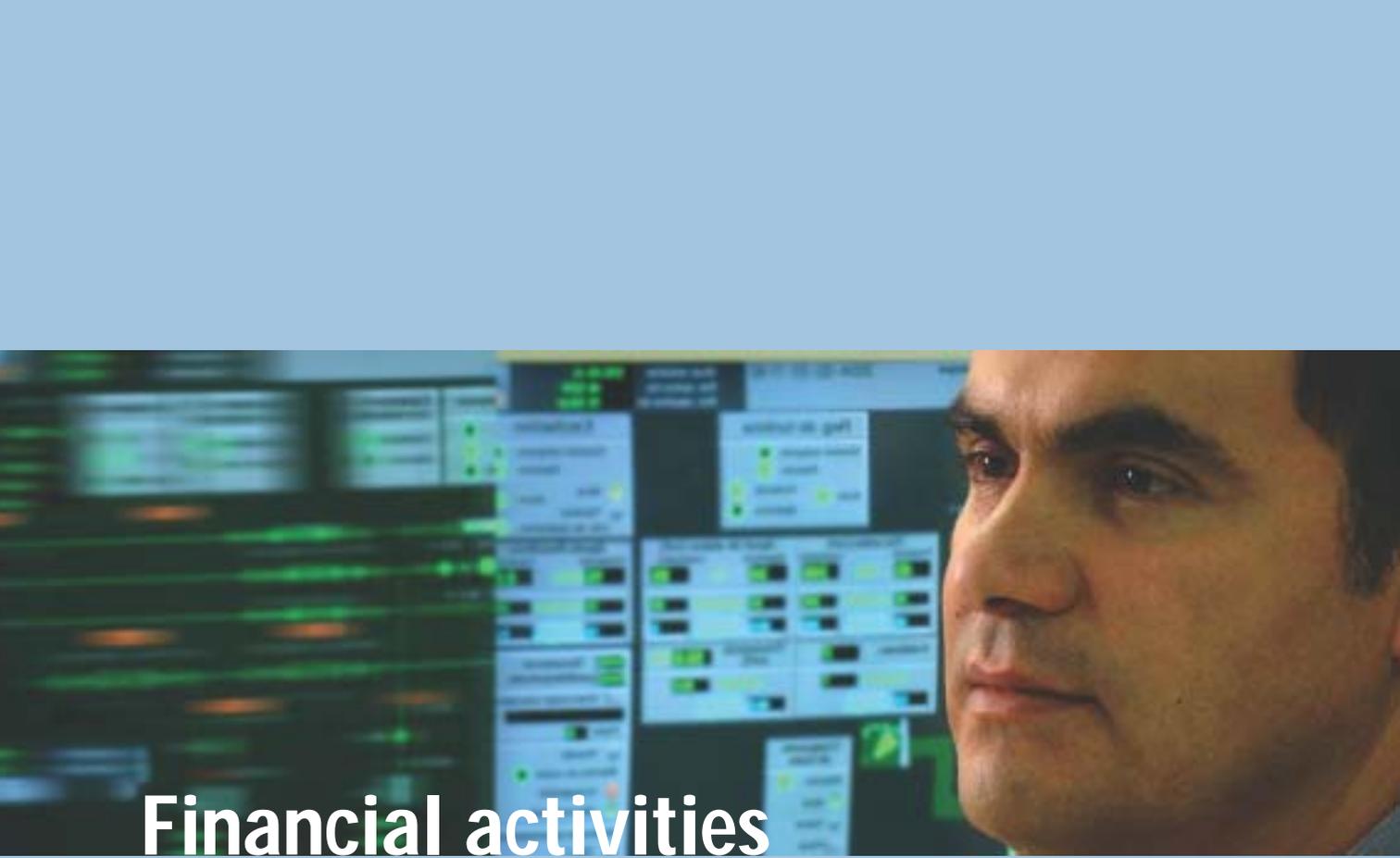


Rapel Hydroelectric Power Plant - Chile

Investments

During 2001 Endesa-Chile and its subsidiaries invested a total equivalent to US\$ 199.7 million, according to the following detail:

| COMPANY | INVESTMENTS (MILLION DOLLARS) |
|--|----------------------------------|
| IN ARGENTINA | |
| CENTRAL COSTANERA S.A. | 8.39 |
| HIDROELÉCTRICA EL CHOCÓN S.A. | 0.57 |
| TOTAL INVESTMENTS IN ARGENTINA | 8.96 |
| IN BRAZIL | |
| CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A. | 2.79 |
| TOTAL INVESTMENTS IN BRAZIL | 2.79 |
| IN CHILE | |
| ENDESA-CHILE | 155.89 |
| PEHUENCHE S.A. | 0.19 |
| PANGUE S.A. | 0.50 |
| CELTA | 0.45 |
| SAN ISIDRO S.A. | 3.89 |
| INGENDESA | 0.34 |
| SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A. | - |
| SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A. | 7.96 |
| SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A. | 13.56 |
| TOTAL INVESTMENTS IN CHILE | 182.77 |
| IN COLOMBIA | |
| EMGESA S.A. | 3.20 |
| CENTRAL HIDROELECTRICA DE BETANIA S.A. E.S.P. | 0.75 |
| TOTAL INVESTMENTS IN COLOMBIA | 3.95 |
| IN PERU | |
| EDEGEL S.A. | 1.22 |
| TOTAL INVESTMENTS IN PERU | 1.22 |
| TOTAL DIRECT INVESTMENT | 199.68 |
| TOTAL FINANCIAL INVESTMENTS | - |
| TOTAL INVESTMENTS | 199.68 |



Financial activities

Financial analysis of 2001

The consolidated financial statements of Endesa-Chile, for the period ended December 31, 2001, incorporate all of the company's Chilean subsidiaries, as well as its Argentinean subsidiaries Central Costanera S.A. and Hidroeléctrica El Chocón S.A.; its Colombian subsidiaries Central Hidroeléctrica de Betania S.A. and Emgesa; its Brazilian subsidiary Centrais Elétricas Cachoeira Dourada S.A.; and its Peruvian subsidiary Edegel.

The year 2001 was notable for a series of events demonstrating the Company's operating strength in a scenario of economic uncertainty in some of the countries where it has investments.

The following were the main changes in 2001, compared to 2000:

- An improvement of Ch\$ 78,686 million in the Company's operating income, an increase of 30.4 %.
- A reduction of Ch\$ 37,943 million (14.4%) in financial expenses, as a function of US\$ 308 million less debt and lower international interest rates.
- A decrease of Ch\$ 208,767 million in other non-operating income mainly reflecting the gains in 2000 on the sale of Transelec.
- The negative effect of approximately Ch\$ 13,800 million resulting from the Argentine devaluation.
- The adverse impact of exchange differences of Ch\$ 9,572 million.
- Lower income tax payable of Ch\$ 40,519 million, mainly explained by higher taxes in 2000 related to the sale of Transelec, and a lower minority interest of Ch\$ 33,558 million mainly because of the reduced results of Central Costanera.

Endesa-Chile's net income for 2001 was Ch\$ 70,058 million, which is compared with a net income of Ch\$ 111,578 million in 2000. This result shows an important improvement in the operating results, as follows:

The operating income for 2001 was Ch\$ 337,840 million, 30.4 % higher than in 2000 and basically explained by improved performances in Chile, Peru and Colombia partially offset by reduced results in Argentina and Brazil.

In Argentina, the operating income was Ch\$ 41,787 million, 11.1 % lower than in 2000. This decrease is mainly due to reduced energy sales volumes in Central Costanera following the expiry of contracts with distributors in Buenos Aires, and reduced spot prices. This was partially offset by a 173.4 % increase in the operating income of Hidroeléctrica El Chocón due to a 93.2 % increase in hydroelectric generation following improved water flows and reservoir levels.

The economic situation of Argentina and the measures taken by the authorities, especially relating to the "pesification" and devaluation of the currency will affect the results of the companies there. However, it should be noted that energy export contracts with Brazil provide some degree of protection in this scenario. The impact of the devaluation at December 31, 2001, under Chilean accounting standards, is already shown in the financial statements.

In Brazil, the operating income of Cachoeira Dourada declined by 10.6 % to Ch\$ 27,106 million, explained basically by less generation and greater energy purchases because of the bad hydrological conditions. Due to the critical level of the reservoirs, the authorities decreed electricity rationing in Brazil as from June 1, 2001. However, following the signing on December 19, 2001 of an agreement between the government and the Brazilian electricity industry, the effect of the drought on the results of Cachoeira Dourada has been reduced to a minimum, estimated at approximately US\$ 5.4 million.

In Chile, operating income in 2001 grew by 102.3 % to Ch\$ 132,627 million mainly as a result of a 34.9 %

increase in average sale prices, as well as 13.2% higher hydroelectric generation due to improved water flows in the areas of the main reservoirs, which also led to a reduction of Ch\$ 11,405 million in energy purchase costs.

In Colombia, the operating income increased by 14.0 % in 2001 to Ch\$ 72,212 million, mainly due to a 16.4 % improvement in average sales prices and to a 9.2 % increase in energy sales volumes. The price improvement resulted principally from transmission restrictions in the Colombian system in the early months of the year.

In Peru, the operating income of the subsidiary Edegel increased by 21.2 % to Ch\$ 64,108 million, mainly following a 17.6 % rise in energy sales volumes due to the good reservoir water levels and the additional 191 MW hydroelectric generating capacity which entered into service in October 2000.

The non-operating result, on the other hand, whose main component is financial expenses, was a loss of Ch\$ 233,702 million in 2001, compared to a loss of Ch\$ 35,025 million in 2000. This difference is basically explained by the Ch\$ 178,305 million gain in 2000 on the sale of Transelec; Ch\$ 18,559 million of higher other non-operating expenses largely due to the effect of the Argentine devaluation on the subsidiaries there; Ch\$ 10,316 million of reduced income on investments in related companies, mainly due to the effect of price-level restatement on the results of the associated companies CIEN and Gasatacama; and Ch\$ 9,572 million of greater charge for exchange differences. This was partially offset by Ch\$ 37,943 million of lower financial expenses and Ch\$ 18,041 million of profit on the repurchase of the Company's bonds.

Exchange differences include the effect of changes in the real exchange rate less the results on forward contracts. The real exchange rate in Chile in 2001 increased by 11.1 %, compared to an increase of just 3.2 % in 2000. The loss with respect to changes in the real exchange rate amounted to Ch\$ 49,045 million in 2001, compared to a loss of Ch\$ 31,815 million in 2000. On the other hand, the profit from forward contracts was Ch\$ 34,962 million compared to a profit of Ch\$ 27,304 million in 2000.

The income tax charge was Ch\$ 45,388 million, of which Ch\$ 14,502 million referred to deferred taxes.

Risk rating

The credit rating for Endesa-Chile's domestic bonds at December 31, 2001 by Fitch-IBCA Chile and Humphreys Ltda. is AA. The ratings of Endesa-Chile's external debt are: Standard & Poor's BBB+, Moody's Baa1, and Fitch A-. The ratings of Endesa-Chile's external debt have negative outlook explained by the Argentine crisis and the effects it could have on the company, Chile and the rest of Latin America.

Insurance

The insurance program, covering Endesa-Chile and its subsidiaries was awarded in June 2000. Bids were invited from the main regional insurance brokers for the new insurance program. The insurance of All-risk was hired up to December 31, 2001 while the civil responsibility insurance expired on June 30, 2001. In May 2001, the contract of civil responsibility was renewed up to June 30, 2002.

This resulted in the award of the following insurance covers:

- All-risk over physical assets and business interruption up to US\$ 400 million to protect the generating plants and main transforming substations against earthquakes, avalanches, fire, explosions, terrorism, floods, etc.
- Equipment breakdown and loss of profits up to US\$ 100 million to protect the principal plant production and substation machinery and equipment against operating faults, short circuits, breakage of parts, material fatigue and mechanical faults in general.
- Extra-contractual civil liability up to US\$ 150 million to cover the company for damages its business may cause to third parties and which it is forced to indemnify.

The company also has insurance cover for sea, air and land transportation of machinery, equipment and inputs, life insurance for its personnel traveling, and those that current legislation obliges it to have.

Capital increase approved

At the Extraordinary Shareholders Meeting held on June 24, 1999, a capital increase was approved, by issuing paying shares, with the purpose of obtaining funds in order to finance the company's investment plan. The issuance of 1.733.245.420 shares without face value, of one and only series, equivalent to 17,45 % of the capital shares of the company was registered at the Record of Securities of the Superintendency of Securities and Insurances, under N° 581, on September 23, 1999, and its placing maturity ends on June 24, 2002. It has not been felt necessary to make the placement to date but this will be done as and when our future investment program requires.

Borrowing

The company's debt ratio at consolidated level, being Debt to Shareholders' Equity plus Minority Interest has fallen from 1.24 in 2000 to 1.21 in 2001.

Changes in the Company's debt during 2001 were basically directed to refinancing existing debt in order to improve its conditions.

On July 31, 2001, Endesa Chile Internacional signed a syndicated loan agreement for US\$ 500 million with the guarantee of Endesa-Chile, with Citibank, N.A. acting as the Agent. The term of the loan is three years and the interest rate is LIBOR + 0.875 %.

The proceeds of this loan, drawn on August 7, were used to prepay the following bilateral loans under the Genesis Plan:

| Company that prepaid | Credit prepaid | Principal Prepaid |
|----------------------------|---------------------------------|-------------------|
| Endesa Chile Internacional | Banco Santander Central Hispano | US\$ 225 million |
| Endesa Chile Internacional | Citibank, N.A. | US\$ 105 million |
| Endesa Chile Internacional | HSBC | US\$ 100 million |
| Endesa-Chile | Citibank, N.A. | US\$ 70 million |

In September, amendments to the bilateral loans under the Genesis Plan were signed to extend them by one year from their original maturities due in the second half of 2002.

On October 31, 2001, the Company successfully placed three series of bonds in the local market indexed to the Unidad de Fomento (UF) for a total of UF 7,500,000 (US\$ 170 million approximately). Their term ranges between 5 and 21 years and their nominal interest rate is 6.2 % on the Unidad de Fomento.

From the proceeds of these bond issues, Endesa Chile Internacional partially prepaid on very advantageous conditions two international bond issues of Endesa-Chile and its Cayman Islands agency (Yankee bonds) for a nominal amount of US\$ 183.7 million which were placed at 8.125 % and 7.875 % per annum with maturities in 2097 and 2027 respectively. These transactions generated a gain of US\$ 27.6 million, shown as part of non-operating income.

To finance its current investment projects, Endesa-Chile has drawn two syndicated loans led by BNP Paribas and a credit granted by the Export Development Corporation

(EDC) for a total of US\$ 16.3 million. These loans were arranged in 1999 to finance the acquisition of generating equipment for the Ralco plant.

Autopista Los Libertadores S.A. also made drawings under existing agreements for a total of US\$ 10.3 million for the financing of complementary project-related works and capitalized interest.

Regarding foreign subsidiaries, the most notable was the issue by Edegel on August 22, 2001 of bonds for approximately US\$ 10 million, carrying a two-year term and a nominal annual interest rate of 11.5 %. The proceeds were used to refinance liabilities. For the same purpose, Edegel also arranged various short-term bank loans (one-year term) for a total of US\$ 57 million approximately.

As part of its short-term liabilities restructuring process, Emgesa on July 26, 2001 placed two series of bonds corresponding to a second bond issue in the local market for approximately US\$ 43 million, both for a 5-year term and at rates of 7.25 % per annum over the CPI and 2.29 % over DTF (average 90-day deposit rate offered by financial entities) respectively. In August, it also placed short-term (9 months) commercial paper for an amount of approximately US\$ 13 million.



Dividends

Dividend policy

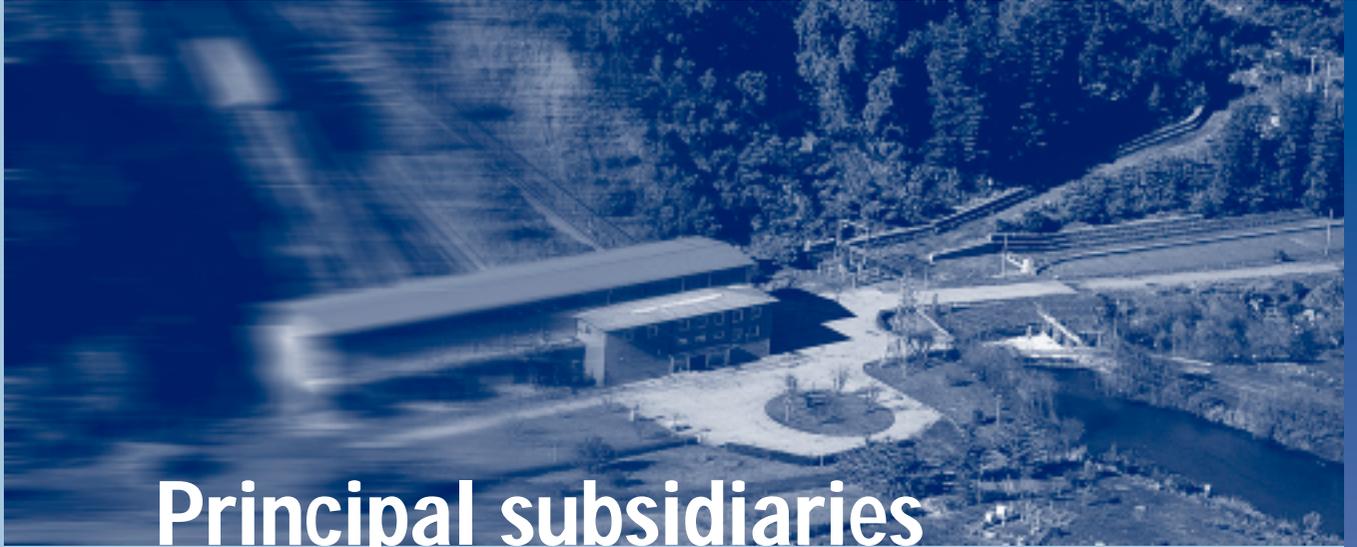
For the year 2002, the board intends to propose to the ordinary shareholders meeting the distribution of a dividend equivalent to 30 % of distributive net income for the year.

The board does not intend to pay any interim dividends against the income for 2002 and intends to propose to the ordinary shareholders meeting to be held in April 2003 the distribution of a final dividend as described above.

Compliance with the above plan will depend on the net income actually produced, as well as on the results projected periodically by the company, and on the applicability of restrictions in different agreements, as the case may be.

Dividends distributed over last years

| | DIVIDEND PER SHARE | |
|------|-------------------------------|--|
| | CHILEAN PESOS OF EACH YEAR | CONSTANT CHILEAN PESOS AS OF DECEMBER 31, 2001 |
| 1997 | 11.74800 | 13.69777 |
| 1998 | 2.062 | 2.26367 |
| 1999 | - | - |
| 2000 | 0.96 | 0.98304 |
| 2001 | | |



Principal subsidiaries

Central Costanera S.A.

Costanera is a publicly traded electricity generation company located in Buenos Aires, Argentina, with a 1,131-MW capacity oil and gas-fired generation facility, a 851-MW capacity natural gas combined-cycle facility, and a 320-MW capacity CBA combined-cycle facility.

Endesa-Chile acquired a 24 % interest in Costanera in 1992, when Costanera was privatized by the Argentine government. In 1995, the Company increased its beneficial ownership. Endesa-Chile is the operator of Costanera under an operating agreement which was signed in December 1992 and expired in May 2002. It provided for an annual fee payable to Endesa-Chile.

On November 19, 2001, the ordinary, extraordinary and special classes shareholders' meetings of Central Costanera S.A. approved a commitment to merge with Central Termoeléctrica Buenos Aires S.A. (CBA) by its absorption. The merger is effective from December 1, 2001 subject to obtaining the approval of the National Securities Commission and the Buenos Aires Stock Exchange.

Endesa-Chile, through its subsidiary Endesa Argentina owns 51.93 % of Costanera.

The Company's generation reached 5,451 GWh and total electricity sales reached 8,395 GWh in 2001.

Hidroeléctrica El Chocón S.A.

El Chocón is an electricity generation company located between Neuquén and Río Negro provinces in southern Argentina (the Comahue Zone). It has two hydroelectric power stations with an aggregate installed capacity of 1,320 MW. El Chocón is currently the second largest hydroelectric facility in Argentina. This 30-year concession was granted by the Argentine government to Hidroinvest S.A., which bought 59 % of the shares in July 1993 during the privatization process.

Endesa-Chile operates El Chocón for a fee pursuant to an operating agreement with a term equal to the duration of the concession, which is not terminable by the company, for a period of five years from its effective date.

Endesa-Chile's indirect holding in Hidroeléctrica El Chocón S.A. is 47.45 %.

During 2001, total generation was 4,496 GWh and total electricity sales were 4,593 GWh.

Centrais Elétricas Cachoeira Dourada S.A.

The Brazilian company is located in Goiás state, south of Brasília. It consists of a run-of-the-river hydroelectric plant with a total installed capacity of 658 MW.

In September, 1997, a consortium comprising Endesa-Chile, with 81.94 % and the Peruvian associated Edegel, with 18.06 % was awarded 79.36 % of the share capital of Centrais Elétricas Cachoeira Dourada S.A. In December 1997, the 0.47 % balance of shares not taken up by employees was acquired by the company. In the years 1998, 2000 and 2001, Endesa-Chile, through its subsidiary Lajas Holding Inc. (now Lajas Inversora S.A.), increased its indirect holding in Centrais Elétricas Cachoeira Dourada S.A. Endesa-Chile is the operator of the plant.

Endesa-Chile's indirect holding in Centrais Elétricas Cachoeira Dourada S.A. is 92.42 %, through its subsidiary Lajas Inversora S.A.

During 2001, total generation was 2,256 GWh and total electricity sales were 3,743 GWh.

Pehuenche S.A.

Pehuenche, a generation company connected to the Central Grid System (SIC) owns three hydroelectric facilities south of Santiago in the high-rainfall hydrological basin of the Maule river. Its 566-MW Pehuenche plant started operating in 1991; its 89-MW Curillinque plant started up in late 1993 and its 40-MW Loma Alta plant started operating in August 1997. In 2001 total generation was 4,213 GWh and total electricity sales were 2,893 GWh.

Endesa-Chile holds 93.66 % of the share capital of Pehuenche.

Pangue S.A.

The Company was formed to construct and operate the 467-MW installed capacity Pangue hydroelectric power station on the Bio-Bio river. The synchronization of the first unit was on October 31, 1996, while the synchronization of the second one was on February 3, 1997. During 2001, total generation was 1,978 GWh and total electricity sales were 2,274 GWh.

Endesa-Chile holds 92.48 % of the share capital of Pangue S.A.

Compañía Eléctrica Tarapacá S.A. (Celta)

This company was formed in November 1995 to construct and operate the 181.8-MW coal fired thermal plant in the Northern Grid System (SING). During 2001, total generation was 695 GWh and total electricity sales were 931 GWh.

Celta is a 100 % owned subsidiary of Endesa-Chile.

Compañía Eléctrica San Isidro S.A.

The company was formed in February 1996 to construct and operate a 379-MW combined-cycle thermal plant in Quillota in the Fifth region. The plant began commercial operations in October 1998. During 2001, total generation was 1,628 GWh and total electricity sales were 996 GWh.

Endesa-Chile holds 75 % of the share capital of San Isidro. The other shareholder is Entergy.

Ingendesa

Ingendesa is a multi-disciplinary engineering company founded in late 1990. Its purpose is to provide engineering services, project management and related services in Chile and internationally. It therefore offers all the necessary specializations: civil, mechanical and electrical engineering, metallurgy, architectural and environmental.

Since its creation, Ingendesa has been consolidating its position as one of the principal consulting firms in the Chilean electrical industry, with a large share in the design and inspection of Chile's largest electricity generation and transmission projects. It has also diversified into new business areas.

Ingendesa is a 97.64 % owned subsidiary of Endesa-Chile.

Túnel El Melón S.A.

Túnel El Melón S.A. was formed in July 1993 to construct and manage the public road tunnel called Túnel El Melón, under a 23 year concession. It includes 3.3 km of access roads and a tunnel approximately 2.5 km long. It is located 130 km north of Santiago. It was the first infrastructure concession granted by the Chilean state.

Commercial operation of the tunnel began in September 1995.

Endesa-Chile owns 99.95 % of this company.

Sociedad Concesionaria Autopista del Sol S.A.

This company was formed to construct and manage the Santiago-San Antonio Highway N° 78 under a 23 year concession. The highway is 108 km long. The first section between Malloco and San Antonio began its operation in April 1997, while the section Santiago-Malloco began its operations in January 1998.

The Ministry of Public Works gave its final reception of the highway public works in June 2001.

Endesa-Chile has a 60.04 % holding in this subsidiary.

Autopista Los Libertadores S.A.

The objective of this company is the construction and management of the Santiago-Colina-Los Andes Highway under a 28-year concession.

The project consists of the widening and improvement of the present General San Martin highway, approximately 90 km. long, and involving the construction of a two-lane highway and access roads between Santiago and Colina, a Colina two-lane by-pass between Peldehue and Casas de Chacabuco and a one-lane Los Andes by-pass. It also includes the improvement and resurfacing of the Chacabuco tunnel.

In December 2001, the Ministry of Public Works gave its final reception of the highway works.

Endesa-Chile's indirect share holding in this company is 58.36 %.

Emgesa S.A. E.S.P. (Emgesa)

On September 15, 1997, Central Hidroeléctrica de Betania, through its subsidiary Inversiones Betania S.A. and in association with Endesa Desarrollo S.A. of Spain, was awarded control of the generating company Emgesa, with 48.48 % of the shares. Emgesa has a total installed generating capacity of 2,495 MW, of which 2,275 MW is hydroelectric and 220 MW thermal generated.

Endesa-Chile's indirect holding in Emgesa is 22.36 %.

During 2001, total generation was 8,335 GWh and total sales were 12,029 GWh.

Central Hidroeléctrica de Betania S.A. E.S.P. (Betania)

Betania is a hydroelectric generation facility and it is located at the intersection of the Magdalena and Yaguará rivers, in the southwest of Colombia.

In December 1996, a consortium comprising Endesa-Chile, with 75 % and the Colombian company Corfivalle, with the remaining 25 %, was awarded 99.9 % of the share capital of Central Hidroeléctrica de Betania S.A.

In 1997, following a program of operating improvements introduced, the capacity of the plant was increased from 510 to 540 MW.

Currently Endesa-Chile owns 85.62 % of Betania.

During 2001, total generation was 1,770 GWh and total sales were 2,562 GWh.

Empresa De Generación Eléctrica de Lima S.A. (Edegel)

Edegel is an electricity generation company that owns seven hydroelectric plants (Huinco, Matucana, Callahuanca, Moyopampa and Huampani, Yanango and Chimay) and one thermal plant (Santa Rosa), with a combined installed capacity of 997.2 MW.

Edegel in 2000 completed the construction of two hydroelectric plants, Yanango (42 MW) and Chimay (149 MW), and a 220 kV transmission line linking both plants to the Peruvian system.

Endesa-Chile has a 37.90 % share in this indirect subsidiary.

During 2001, total generation was 4,176 GWh and total electricity sales were 4,239 GWh.



Principal associated companies

Compañía de Interconexión Energética S.A. (Cien)

This Brazilian company is responsible for trading electricity in the Brazilian market and for the operation of the whole transmission system on the Brazilian side of the Brazil-Argentina interconnection project.

Endesa-Chile has a 45.00 % share in this company.

Electrogas S.A.

Electrogas was formed in late 1996. The objective of this company is to offer natural gas transportation services to the Fifth Region, especially to the San Isidro and Nehuenco combined-cycle plants at Quillota.

Endesa-Chile has a 42.5 % share in this company. The other shareholders are Colbún S.A. and Enap.

Gasoducto Atacama Compañía Ltda. (Gasatacama)

Gasoducto Atacama Compañía Ltda. was formed with the purpose of transporting natural gas both within Chile and abroad, including the construction and placing of pipelines and any other related activities.

Endesa-Chile has a 50 % share in this company.

**Nor Oeste Pacifico Generacion de Energia Ltda.
(Nopel Ltda.)**

The purpose of this company is the generation, transmission, purchase, distribution and sale of electric energy in the Northern Grid System.

Endesa-Chile has a 50 % share in this company.

Addresses

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